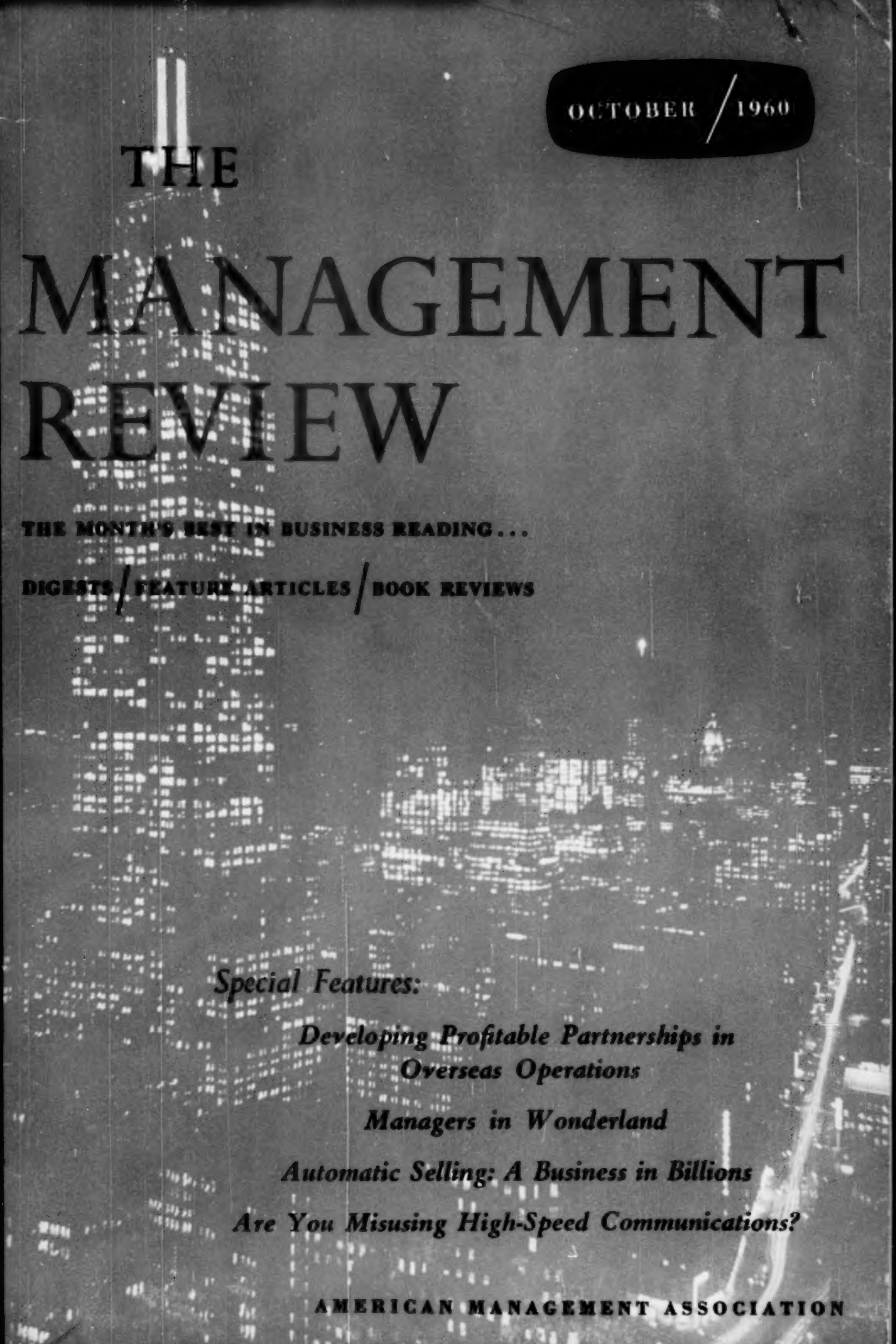

OCTOBER / 1960

THE MANAGEMENT REVIEW

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Special Features:

Developing Profitable Partnerships in Overseas Operations

Managers in Wonderland

Automatic Selling: A Business in Billions

Are You Misusing High-Speed Communications?

AMERICAN MANAGEMENT ASSOCIATION

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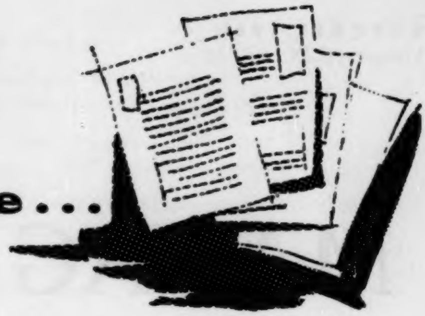

- **Hands Across the Sea.** An increasing number of U. S. companies manufacturing overseas are bringing local partners into the enterprise, in order to realize important advantages of local financing, know-how, and acceptance within the community. In this month's opening article, ROBERT SPROUL discusses practical means by which an American company can capitalize on these advantages and, at the same time, retain control and protect its overseas investment.

- **Managers in Wonderland.** In his article on page 9, MICHAEL BLANSFIELD levels some constructive criticism at what he terms the increasingly unreal world of executive development and examines the confusions that abound in its terminology, techniques, and basic philosophy.

- **Put Another Nickel In . . .** Having already passed the $2-billion mark, vending machines are expected to ring up better than $5 billion worth of business by 1970. W. J. MANNING's article on page 14 surveys new developments in this rapidly-growing field—including bill-changing machines that permit vending of higher-priced goods—and examines some of the problems a company should weigh before it turns to automatic merchandising.

- **Dial M for Money.** There's no substitute for telegrams, cables, and long-distance telephone calls when they're really needed—but, says CHARLES CERAMI (page 23), many of the dollars spent on these high-speed messages are needless extravagance. This article suggests how an examination of the ways in which company personnel use high-speed messages may well reveal low-speed and disorganized work habits that cost the company far more than just the money spent on telephone and telegraph bills.

—THE EDITORS

OCTOBER 1960
Volume XLIX, No. 10

THE MANAGEMENT REVIEW

FEATURES

BUSINESS DIGESTS OF THE MONTH

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Developing Profitable Partnerships in OVERSEAS OPERATIONS

WHAT IS THE BEST WAY to become established in manufacturing operations overseas? The thinking of American business executives and their attorneys, bankers, and other key advisers on this particular subject has probably advanced further in the past five years than it did in the previous fifty, and many of the considerations that were considered "basic" five years ago are thought to be rather minor matters today.

■ *Robert G. Sproul, Jr.*

Thelen, Marrin, Johnson & Bridges
Attorneys at Law
San Francisco, Calif.

For example, five years ago the choice between operating overseas through the use of a division of the parent company or through a wholly-owned subsidiary of the parent company was considered one of the most momentous decisions faced by the global-minded U.S. corporate executive. Today, the use of corporations organized under

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AUTHOR'S NOTE: Grateful acknowledgment is made to Peter Anderson and Ronald Sullivan for their research and assistance in writing this article.

the laws of the foreign country in which the investment is to be made is a universally accepted practice and, quite often, nationals of that country are welcomed as substantial stockholders and investors in the enterprise. Five years ago, almost all the legal writing on the subject of international law and investment had to do with such topics as the limitations on the ownership of air space and the value of international conventions and treaties. Today, publications, seminars, and legal study programs are appearing everywhere, giving down-to-earth, practical, how-to-do-it advice on all types of legal, business, and financial problems relating to foreign investment.

Although there is no single best way to establish manufacturing operations overseas, there are basic considerations that must be taken into account no matter what methods are chosen. From the lessons that have been learned during the past five years, we can construct a philosophy and a method of approach, which, while by no means definitive, will serve as a guide to management planning.

To keep the discussion within manageable bounds, we will confine ourselves to considering one typical type of foreign operation: the establishment of an overseas manufacturing venture to make a product primarily for local consumption, but possibly also for export. This could be a plant to make toothpaste tubes or one to make primary steel—although, obviously, the problems become more complex as the size of the investment increases.

HOW TO GET STARTED

Statistics reveal that the great majority of manufacturing investments overseas are made by U.S. companies that can only be described as large. Seeking out, evaluating, and setting up foreign manufacturing ventures is an activity almost as expensive as international yachting—and, like that sport, it is not something that small businessmen can ordinarily indulge in. In fact, at least until very recently, the "typical" large, successful U.S. corporation that has never before done business overseas has often been hesitant to plunge in for the first time.

Probably the best way to approach overseas operations, if time permits, is to learn by doing—to start little and grow big. Export sales of goods produced in the United States to customers abroad represents a standard and excellent way to get started. This is par-

ticularly true if in the process the U.S. company establishes a foreign base corporation or a Western Hemisphere Trade Corporation in order to obtain the maximum tax benefits. To give some substance to its international sales activities, the U.S. company in such a situation inevitably commences to conduct more and more of the incidents of its business overseas. Also, if its export sales are to prosper, the company soon finds that it must establish a direct, personal relationship with its customers and agents overseas. In this way, the company quickly learns that the similarities of doing business at home and abroad are far more important than the differences, and, gradually, a great deal of company know-how begins to accumulate about markets, methods of doing business, currency, and the like.

A second traditional and excellent method of getting started overseas with minimum capital outlay and organizational expense is through patent licensing, technical assistance, and know-how agreements. One of the principal things U.S. companies have to offer their overseas counterparts is technology of this type. Although much of the information the company has to offer is not secret and may be well known by all competitors in the industry in the United States, it is often very hard for companies overseas to obtain. If such information is collected and presented properly, and if it is accompanied by periodic visits of engineers and technicians from the U.S. company's home plant, it can be well worth the fee to a foreign company. For the U.S. company, agreements of this type often offer an ideal way to recoup some of the high costs of research and development without additional capital outlay. In addition to charging an adequate fee, it is almost always advisable to attempt to obtain an equity interest in the foreign business as well. This can sometimes be done by trading technical information for stock (providing a previous U.S. Treasury ruling is obtained). Through the experience gained from a properly administered technical assistance program, a U.S. company can quite often build up the background information it needs to permit it to launch its own overseas manufacturing venture.

LOCAL PARTNERS

Once a U.S. company has made the big decision to initiate a manufacturing program overseas, one of the first points to be considered is the advisability of bringing in local partners. Authorities

on the subject of foreign investment are always able to cite at least ten good reasons why it is advisable to have local partners—and, then, to counter this citation with an equally excellent list of ten possible areas of conflict. However, aside from the fact that in some countries local participation is required by law, two reasons in favor of local partners have invariably been most compelling: (1) financing, and (2) local know-how.

Local Financing

If local financing is available in the country where the new enterprise is to be launched, most companies are pleased to make use of it. Few are in the position where they have sufficient internal financing to satisfy all of their goals and objectives, both foreign and domestic. Even if they are in this unusual posture, most U.S. companies in today's unsettled world are reluctant to provide all the capital required to finance any specific overseas project. Not only are the risks considered too great to go it alone, but confidence in the project is always engendered if some local businessmen are willing to step in and back up their ever-present optimism. In addition, conventional lending institutions in the United States have shown a reluctance to lend money overseas without the guarantee of the investor's parent company, and this makes local financing even more attractive.

Local Know-How

The second reason why local partners are becoming increasingly popular is their ability to provide broad knowledge of local conditions. Most U.S. companies are sufficiently short of executive talent (and particularly short of men with foreign experience and linguistic ability) that they can make excellent use of all of the managerial help and skill that comes with the proper local partner. The best local partner, of course, is usually one who has a thorough knowledge of the business in question. Quite often he comes equipped with one or more unique assets, like a sales and distribution organization of long standing, managerial and manufacturing techniques particularly well adapted to local conditions, or an advantageous relationship with the local labor, financial, and political community. Even in

(*Continued on page* 67)

Managers in Wonderland

Confusions and Contradictions in Executive Development

■ ***Michael G. Blansfield***

Manager of Management Development and Training
Pacific Finance Corporation

> *"Would you tell me please," she began rather timidly, "which way I ought to go from here?"*
>
> *"That depends a good deal on where you want to get to," said the Cheshire cat.*

IT IS RATHER GENERALLY ACCEPTED in business and industry that executive talent must be discovered, nurtured, and developed continuously in order to insure the future success of the

company. But nobody seems to have a very clear idea of just how this should be done, and the impartial observer of today's policies and procedures finds himself immersed in an unreal world of confusion and contradictions, of varying techniques and methods, of words and definitions that mean different things to different people, and of opposing theories and philosophies.

Not that we are lacking in "experts" in the field. Company staff men, who like to picture themselves as counselors to line executives, have many and varied ideas on the subject. They, in turn, have a vociferous group of advisors of their own, in the form of management consultants, college professors, psychologists, psychiatrists, semanticists, and the like. And all these assorted counselors, advisors, exhorters, and adjusters have one thing in common: They disagree. They disagree about theory, about methodology, about philosophy, about technique—and some, to the horror of their brethren, even disagree about the need for any such thing as a formal management-development program.

What is the effect of these divergencies and differences upon line management, the ultimate recipient of these counsels? In part, at least, the effect is negligible. Line managers are serenely (and fortunately) unaware of a goodly part of the squabble, since it is aired in the journals of the protagonists or at the meetings they hold among themselves. A certain amount of it does leak into the managerial consciousness, however, where it is received with annoyance and an unfortunate tendency to reject the entire confusing concept of executive development because of its apparent conflicts and ambiguities. Line managers usually have neither inclination nor time to think through the problems they have hired "experts" to advise them on. They may well have little patience when the experts seem unable to crystallize a basic position and ply them with pleas for acceptance rather than providing the sage counsel they anticipated.

Basically, this lack of agreement is a failure to evolve a commonly held philosophy of executive development. This has led to the appearance of a number of basic contradictions and confusions about just what executive development should be and how its goals can best be accomplished. For the sake of our executive resources, these contradictions must be thought through and resolved.

The Ambiguity of Essential Terms

> *"When I use a word," Humpty Dumpty said in rather a scornful tone, "it means just what I choose it to mean—neither more nor less."*
>
> *"The question is," said Alice, "whether you* can *make words mean so many different things."*

The first contradiction lies in the nature of the terminology itself. The very phrase "executive development" has at least two meanings. In one sense, and probably the more popular one, the phrase means the development of people *below* executive level—those who aspire to become executives. This use of the term makes such a program essentially one of preparing *for* executive station, rather than one in which the executives themselves are being developed.

The second, and more valuable, use of this term would also encompass those people who are actually members of executive management—the officers of the company and those at the top two or three levels of management.

This latter type of program recognizes the reality of the need for almost universal increases in knowledge, skills, and interpersonal effectiveness. In establishing such a program, executive management is recognizing its own needs, not merely dictating that only subordinate managers are imperfect. Nothing is more contradictory or destructive of relationships than the implicit or explicit assumption that management need only increase the proficiency of the inept lower levels to bring a veritable deluge of organizational success. Middle and lower management is usually well aware of the human frailities and foibles of higher management, and attempts to pretend that they do not exist can only be rewarded with cynicism and hostility.

If development presumes a total growth—not only in intellect, skill, and behavior, but also in the ability to preserve and make explicit ethical and philosophical bases for action—then where is this more important than at the top levels? It is important to recognize that imitation is a powerful learning force. Executive policy and practice will be copied, consciously and unconsciously, throughout the organization, and if this behavior is essentially faulty, no

number of developmental programs for lower levels of management can mitigate its influence.

Varying Concepts of Development

"Speak English!" said the Eaglet. "I don't know the meaning of half those long words, and, what's more, I don't believe you do either!"

A second contradiction in "executive development" involves the meaning of "development." The usual concept of development seems to center around the idea of growth through the addition of increments of knowledge, and a review of the mechanics of many executive development programs would indicate that they are principally aimed at this goal. This, however, is an inadequate concept; a manager must function, not only at the intellectual level, but also at a skill level, an emotional level, and a philosophical level. Any program that provides only intellectual experience is not encouraging total development. Any program that really attempts to liberate the latent capacity of its participants must provide learning in all these areas.

The concepts that limit such total learning stem at least in part from certain commonly held beliefs that "emotion and philosophy have no place in business." This idea stems from a rather naive folk belief that we can, in some miraculous fashion, separate our body from our intellectual processes, our theory from our practice. Since it is patently true that the human organism functions as a totality, all behavior is tinged with some degree of emotionality and based to some extent upon a philosophy.

We would be naive indeed to conclude that, in the managerial context, learning is limited to the realm of "practical" techniques. We bring to any managerial job much more than our techniques. A program's avoidance of the wellspring of behavior, philosophy, can only be interpreted as evidence of the insufficiency of an approach that avoids the whole man. Any experience must of necessity impinge on the ideas and concepts that guide men's lives. But ideas often have a high emotional content; they are "controversial." It is much more comfortable and certainly safer to deal with the techniques of, for example, economics or finance—"practical" areas

that have little emotional tinge. But basically, it is our philosophy that determines how we use techniques or methods, and an executive development program that avoids or ignores such a basic aspect cannot hope to be anything but inadequate.

Organizational Policies and Procedures

> *"It seems very pretty," she said when she had finished it, "but it's rather hard to understand!" (You see, she didn't like to confess, even to herself, that she couldn't make it out at all.)*

In addition to the matter of the definition of the concept itself, a major contradiction stems from the basic pattern of most organizations. Generally, it can be assumed that an organization establishes an executive-development program in recognition of the importance of the organization's most costly asset, its people. But the unit set up to administer the program is frequently established at a level of organization that negates any concept of real importance or vitality. Quite often, the director of management development will report to a training director who reports to an industrial relations manager who reports to an administrative vice president. Obviously, the very level of organizational assignment speaks volumes for the true feeling of the establishers of the program. If it were really a vital part of the company's programing, the administrator of this phase of the staff function would report directly to top management, as do the heads of other important staff functions.

In addition to this particular organizational contradiction, others are inherent in the very nature of many formal organizational structures. Fundamental to the concept of formal organization are clear-cut definition and limitation of responsibility and authority, the requirement of appreciable conformity to the needs and expectations of superiors, and the limitation of skill and creativity to a part of the total process or product. As organization becomes increasingly formalized, we find added limitations in such things as limited span of control, increasingly detailed procedural regulations, centralization of authority, and the like. There is a rather massive contradiction between these limiting and controlling aspects of the organi-

(*Continued on page* 75)

AUTOMATIC

SELLING:

A Business in Billions

■ *W. J. Manning, Jr.*

Graduate School of Sales Management and Marketing
Syracuse University

When Frederick G. Lynde of Manchester, England, filed an American patent application in 1886 for his "automatic vending apparatus," he couldn't have known that he would be the father of a dynamic 20th-century industry. But today, more than four million descendents of Lynde's apparatus for the "automatic delivery of postal-cards, tickets, etc.," are part of a full-fledged and growing channel of distribution that last year handled well over $2 billion in retail sales.

Note: The Graduate School of Sales Management and Marketing at Syracuse University is sponsored by National Sales Executives International.

Few Americans realize how much they buy from machines each day. A member of the British Parliament, while on an inspection tour of the American vending industry, recently volunteered, "I have never in my life put a coin into a machine." By contrast, the average American buys from coin-operated machines such varied goods as chewing gum, books, newspapers, soft drinks (in cups, bottles, or cans), eggs, sandwiches, hot meals, laundry soap, ball-point pens, notebook paper, and many others. He can also get such services as travel insurance, a shoe shine, parking space, a panoramic view from Point Lookout (via a coin-operated telescope)—and he can even bait his fishhook with night crawlers from a special type of vending machine near his favorite fishing hole. For these, and many more goods and services, all he needs is the right change. And while some of our mechanical servants and salesmen could pass for no more than interesting gadgets, marketing and distribution experts are recognizing the vast potentialities of selling goods and services automatically. The vending machine's around-the-clock time-saving and dollar-saving advantages over more conventional methods are making it a vehicle for millions of dollars' worth of sales that couldn't be made before.

EQUIPMENT THAT WORKS

In the area of food and refreshment service, the vending machine already has earned a place for itself in the last decade through better-functioning equipment and a wider variety of product choices. Executives in the automatic merchandising industry admit that many of the machines of the 1930's were poorly designed, and that mechanical breakdowns and the "sold out" sign caused many dissatisfied customers. They say, however, that the vending machine that seldom works has become a thing of the past. Research has produced more reliable equipment since World War II, and close attention is now paid to training and scheduling the routemen who stock and service the machines.

Greater product variety also has brought a new look to automatic selling. For example, when filters, "king-size," and mentholated brands brought new sales to the cigarette industry, vending-machine manufacturers quickly got up-to-date. The traditional eight- or ten-column cigarette machine gave way to machines with a capacity

of 20 and even 30 different brands. Today, every seventh package of cigarettes is sold by an automatic vender.

Increased product visibility has enhanced the customer appeal of the silent salesmen. Gone is the forbidding gray front which showed nothing but the coin slot; look-through glass panels now provide a view of the actual products the customer is buying.

MEALS FROM SOUP TO NUTS

Personnel managers increasingly consider beverage- and food-vending machines as alternatives to cafeterias or mobile refreshment carts. As a replacement of these methods or, more frequently, as an addition to them, such vending machines now are widely used in plants, offices, hospitals, schools, and other "institutional" locations. Food-vending machines are no longer limited to soup-and-sandwich meals, either, although these are still the most prevalent. Today, dispensers can serve a variety of hot meals, soups, chili, hash, stews, and desserts—and for less than an attended cafeteria could afford to charge. An average hot meal—for example, soup, Swiss steak with gravy, potatoes, green beans, fruit salad, coffee, and pudding—might cost in the vicinity of a dollar.

These in-plant automats are almost invariably owned, serviced, and maintained by vending companies, which either supply the machines from commissaries at their own headquarters or utilize parts of former plant kitchens as on-the-spot food-preparation facilities. Plant management can seldom afford to update vending equipment as new models appear, and, in any event, it is usually glad to be free from the job of selecting menus, training personnel, and running cafeterias. What's more, a vending operation in a plant or office can not only relieve management of the cost of subsidizing a plant cafeteria, but the vending company frequently returns a percentage of the profit, thus actually making it a profitable installation. For reasons such as these, vending industry executives predict that many more plants employing 300 or more workers will be turning to vended food service in the next two years.

Automatic merchandising specialists confidently declare that the vending of food and beverages has barely passed the threshold of its full development. However, they are quick to point out that, because of the limitations of machine selling and the natural inclinations of

customers, there will be no widespread replacement of existing public restaurants or even of employee cafeterias. Instead, they believe, vending will open up channels for sales that heretofore were lost because the human salesman had finished his eight-hour day or simply because he couldn't be in every spot where the consumer might want him.

BILL-CHANGING—A NEW BREAKTHROUGH

In recent months, marketing men have taken special note of a new breakthrough in automatic machines: machines that will change bills into coins—without shortchanging the customer or the store. Two manufacturers actually have such a machine on the market, and in the not-too-distant future they will be integrated into vending machines, just as coin changers are already a part of many automatic vendors.

In an experiment recently undertaken by Macy's in its main New York store, the bill-changer itself is part of the vending machine. From this specially built machine, it is possible to buy men's shorts

by depositing a one-, five-, or ten-dollar bill; it will not only deliver the packaged merchandise, but also return the correct change.

One intriguing aspect of bill-changing machines is their ability to detect counterfeits and foreign currency, and to distinguish a dollar bill from a five- or ten-spot. Exactly how the machines manage this tricky feat is a closely guarded secret. Some have speculated that the key lies in the composition of the ink, others ascribe it to electronic scanning, and still others think the machine can tell the difference in the paper. But only the two manufacturers who make the machines really know the answer—and, understandably enough, they aren't talking.

While the bill-changer increases sales by providing change for a customer who might not otherwise have the right coins to buy, its real significance is that it has removed one of the biggest obstacles to mass automatic retailing. Because Mrs. Jones could insert no more than 25 cents at a time until now, automatic purchase of items costing more than $1 was simply impractical. Now the bill-changer puts the vast field of higher-priced merchandise within the reach of automatic vendors.

In retailing soft goods, groceries, tickets, and many other commodities, this new development is likely to have a great impact. Several manufacturers already have ticket venders under test, particularly for theaters and sports events. Such devices have already been used to sell mutuel tickets at race tracks in Illinois and Florida this summer. These early machines have proved popular with racing fans, although they are so far only in limited use.

A BUSINESS IN BILLIONS

The increasing capabilities of vending machines have contributed to the striking growth of automatic selling in recent years. From a relatively unimportant $30 million in sales in 1925, automatic merchandising last year grew to an estimated $2.2 billion in retail sales. The biggest single jump occurred between 1950 and 1955, but a healthy 10 to 15 per cent annual growth in sales has been maintained since then. The number of machines in use increased from 50,000 to an estimated 4 million. And the number of products sold by machine has also grown significantly, especially since World War II. Since the first workable coffee vending machines were put

into operation in the late 1940's, coffee sales have grown until they now total more than $160 million a year. Similar growth has come to automatic coin laundries, which were recently estimated at 24,000 in number. Hot food machines, machines that sell cut flowers, insurance venders, and even automatic dry-cleaning machines are also among the post-World War II innovations that have spurred the growth of marketing by machines.

Responsible industry officials predict that the annual dollar volume of automatic merchandising will top $5 billion by 1970. Actually, there are few measuring sticks for a real forecast. The total may well go much higher, for marketing men are just awakening to the possibilities of retailing goods automatically. Since the announcement of the new bill-changing machines, industry officials have been flooded with calls and inquiries from marketing specialists, manufacturers, and companies that produce packaging, machine parts, or electronic devices.

One by-product of this new interest has been the sudden appetite of the investor in the street for the stocks of vending companies. Since early this year, they have joined the "glamor" industry ranks in Wall Street. Even though several new issues have appeared in 1960 from heretofore privately held manufacturing and operating companies, shares are still in relatively short supply, and some vending stocks have tripled in price within ten months.

NEW PROBLEMS FOR PACKAGING

The packaging industry is likely to reap particular benefits from further expansion in automatic selling, for the sizing, handling, and display of vended goods, as well as the perishability of vended food products, will make increasing demands on the companies that create the packages for the robot salesman of the future.

This will, of course, call for continuing research on the part of packaging companies, but no one doubts that the problems will eventually be solved, just as paper-cup manufacturers solved the problem of creating practical cups for hot beverages. With the advent of coffee vending less than 15 years ago, such companies as Lily-Tulip Cup Corporation and Dixie Cup Company undertook the research necessary to produce an insulated cup—one that did not add its own "paper" flavor to the beverage. Their success had much

to do with increasing the popularity of vended coffee, and it created a huge new market for them; last year, an estimated 1,860,000,000 cups were sold by suppliers to vending machine companies.

Packaging experts have to pay special attention to the fact that a vender delivers products through a chute or other specialized opening. This requires special design and the closest of tolerances. In the past, plastic vending cups or dishes often caused jam-ups in the machines and prevented the use of this otherwise desirable packaging material. But because plastics manufacturers wanted to enter the vending market, they undertook research that has solved many of the problems and enabled them to move successfully into this profitable field.

Other problems still remain to be solved, of course, and new ones will continue to pop up. There is need, for example, for containers that will maintain food products hot and, at the same time, serve as dishes in the lunchroom. But there is no question that research will continue to come up with solutions—and that the packaging industry has a growing market in the field of automatic selling.

WHAT MAKES PRODUCTS "VENDIBLE"?

How can you tell whether automatic vending is in the cards for your product? Despite the enthusiastic predictions for the future of automatic selling, it is obvious that not every product can be sold by machine at this time—and some will never be. Here are some guidelines that are basic to "vendibility" as of now:

1. The product must be "pre-sold" through advertising or wide consumer acceptance.

2. The product must be vendible in sufficient volume to justify the cost of the selling machines and the expense of servicing them. According to vending industry studies, servicing costs gobble up more than 30 per cent of gross sales.

3. The product must be consumable or usable within a relatively short distance of the vending machine; otherwise the customer will probably prefer buying at an attended store.

4. The product must be one that is so standardized that the customer will not wish to feel or test it before buying.

Many of the automatic retailing advances that are expected in the near future have long been accepted in certain European coun-

tries. For example, the storefront automat is widely used after closing hours in Germany (although plant and office food services, which have been an area of tremendous growth in this country, are virtually unknown overseas). In addition, the development of the new bill-changers, the engineering of new types of vending machines, and the market testing of a variety of products will undoubtedly result in automatic selling of many new products and services.

THE FUTURE OF AUTOMATIC VENDING

The increase in leisure hours has put Americans on the move as never before. Motor trips, outdoor sports and diversions, and many other away-from-home activities make it desirable to "move the store" where the customer is. This alone should encourage distribution by machine of all types of articles. The list of practical items that are likely to be vended in the future is literally endless.

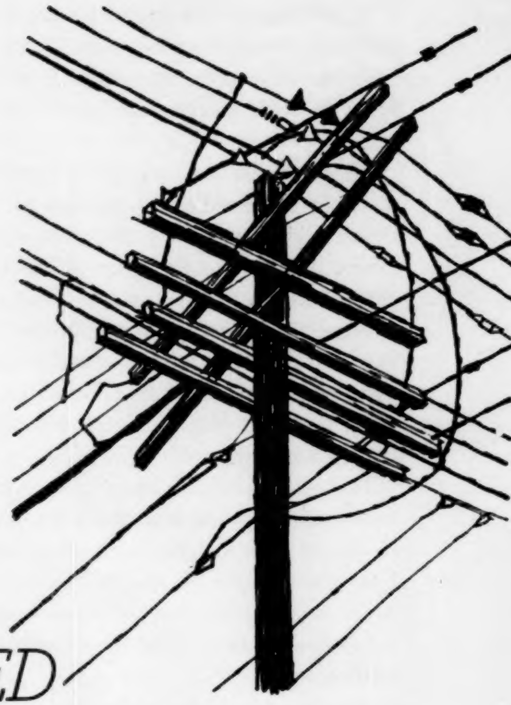
This doesn't mean, of course, that the retail store and the well-trained sales clerk are likely to be replaced by machines. Automatic vending has enough intrinsic shortcomings to allay the qualms of those who fear for the future of the retail store. In the first place, a machine cannot *sell;* it can only offer an opportunity to buy. It cannot hope to provide the variety of a store shelf. It cannot—at least as yet—permit the customer to feel, test, or "size" the products it vends. And it cannot accept returned merchandise, make refunds, or give the customer all the personal touches that assure his continued patronage.

But while we don't have to worry about the extinction of human retailers, we can safely predict that automatic selling will certainly supplement the more traditional channels of distribution, selling a wide variety of products and services and opening up new avenues to increased sales. ◆

FEW CAN BE INDUCED to labor exclusively for posterity; and none will do it enthusiastically. Posterity has done nothing for us; and, theorize on it as we may, practically we should do very little for it, unless we are made to think we are at the same time doing something for ourselves.

—Abraham Lincoln

■ *Charles A. Cerami*



Are You Misusing *HIGH-SPEED* COMMUNICATIONS?

TELEPHONE AND TELEGRAPH BILLS may be the key to important savings for your company, if you study them carefully. And this doesn't just mean saving the money that is used unnecessarily on high-speed communications—although this can sometimes be a substantial sum; it involves the far greater amount that can be saved by correcting operational inefficiencies that such an examination can reveal in the company.

Some organizations spend far too much on telegrams, cablegrams, and long-distance phone calls. Some could very effectively make *more* use of these conveniences. But the important fact is that some firms in each category use high-cost messages for all the wrong reasons.

Many of the dollars that U.S. business spends on high-priced messages are needless extravagance, according to communications experts. Moreover, they are often symptomatic of company inefficiency that may be far more serious than the money wasted on urgent messages.

Some of the men who say this are executives of major communications companies who thoroughly believe in the importance and effectiveness of high-speed messages. But their experience forces them to admit that these are too often used to hide a low-speed organization.

"Companies always jump eagerly when we offer a new speed-up in service," says one official, "but I don't know why it's so important to them. They forget that communication time is the entire time from the moment an idea is *con*ceived to the moment it's *re*ceived. Most firms spend days or even weeks wastefully chewing over a subject, then they want desperately to save a few hours in transmitting it."

Another specialist in the field goes even further. "If companies would consciously work to avoid the high-cost message that will have to be sent at the end of a long chain of operations," he says, "they would get that message to its destination faster with a four-cent stamp than with a telegram or long-distance call."

He gives this illustration of his point. "Suppose you're a Chicago manufacturer, and your New York distributor has asked you to give him an extra discount on a special lot of products he wants to push. He must have an answer by next Wednesday. You want to clear this with the sales manager, the sales promotion director, and the cost expert in your accounting department. As likely as not, you'll see them one at a time, leave each conversation half complete, and then just barely make a hurried decision in time to phone or wire him on Wednesday.

"But now suppose you say to yourself at the very outset, 'I want to save the cost of that telegram.' It sounds silly, of course, with a big

transaction hanging in the balance. But you say it anyway, as an exercise in self-discipline. That may spark you to handling the whole thing more effectively—asking the cost man to work up his figures in advance, then sitting down and talking with all your people at once and really making a decision. Result: You're ready to send a letter by Monday, and that four-cent message reaches New York a day earlier than your high-priced communication would have."

It should be noted that these men don't discount the value of long-distance calls that close sales, or telegrams that get more action than letters just because they look important. "That's using an urgent communication as an exclamation point," says one of them. "It's a perfectly valid technique, and some companies would benefit by doing even more of it. But in that case, it has nothing to do with speed.

"You should know *why* you're sending a telegram and be sure it pays, dollar for dollar. Lots of executives fool themselves with the notion that they sent a wire because it was more effective when what they really mean is that they procrastinated until it was too late to send a letter."

URGENCY—OR PANIC?

It is also worth noting that urgent messages sent unnecessarily may sometimes make a *negative* impression—leaving people at the other end with the feeling that the sender is over-excited, over-anxious, or careless with money. Depending on the relationship with the recipient, the results of the impression that is made can be far more expensive than simply the charges involved.

For large companies that maintain wire services or communication centers, such small errors in judgment may add up to an annual expenditure in the high five figures. For the average business, the saving is likely to be no more than a few hundred or perhaps a few thousand dollars. But for both kinds of organizations, the self-knowledge and planning that come from a conscious effort to use high-cost communications more selectively will bring internal improvements that can't be expressed in dollars and cents alone.

Like jet planes that gallantly clip a minute or two off the flying time between cities when the big delay is in getting to and from the airports, our magnificent communications system often struggles to

give an extra zip to business messages that are already long overdue before they leave the company.

USING SPEED TO MAKE MONEY

The other side of the coin — the under-use of fast communications — is harder to cure, because it takes original thinking, rather than merely paring down an existing cost. Telephone calls or telegrams can be used creatively in many businesses—not only with customers, but with suppliers or for intracompany communications, as well.

The conference call, for example, can be used to accomplish in one conversation what would otherwise take several separate talks or letters. The sales manager of a midwestern machine-tool manufacturing firm found that his company's technical director was a great asset to have along when he was talking to customers with special problems. But apart from the expense, such a man couldn't be taken away from headquarters for repeated sales trips. So a plan for doing the job by telephone was tried: The sales chief and the technical man would make a conference call from Chicago and talk to the purchasing agent and some of his engineering people at the receiving end.

"This technique doesn't always take the place of a personal visit," says the sales manager, "but it fills the bill two times out of three. We've also found it useful as an advance contact to pave the way for my visit later, or as a subsequent follow-up to settle the details."

A multiplant company that formerly had bimonthly meetings among executives in different parts of the country has reduced the number to just two meetings per year by substituting frequent conference calls in the intervals. Even long telephone conversations cost only a fraction of the former travel expenses, and they leave executives on the job, avoiding the work pile-ups that used to occur every two months.

An American management consulting firm with several offices abroad has astonished some of its European clients by getting almost instantaneous help from the U.S. on some of their problems. Here's how it's done: When a client reports a technical problem that is seriously snarling production, the consultant in Zurich or Paris cables his home office for suggestions. If no information on file there

seems adequate, headquarters, in turn, telephones engineering specialists at other U.S. locations, summarizes all their opinions, and cables them back to Europe.

In one case, a plant in West Germany had struck a snag that caused its reject rate to zoom from the normal ¼ per cent to 18 per cent. With almost one part out of every five being thrown away, the losses would have hit huge proportions in a matter of days. But cablegrams and phone calls brought three suggested cures from the U.S. in less than thirty hours. One of them proved to be the answer, and the client's gratitude is enormous.

This is an example of a costly procedure that pays off. It is the use of communications costs as a conscious *investment,* with a precise knowledge of the end in view.

CHECKING HIGH-COST COMMUNICATIONS

The answers to some of these questions could lead to ways of clipping dollars off your annual budget, adding dollars to your sales estimate, and tuning up your office machinery in the bargain:

- How did your telegraph, cable, and long-distance telephone costs for 1959 compare with 1958? Since '58 was a recession year, this may give you an idea of how much difference it makes when everybody is just a bit more cost-conscious.
- Does any one individual or department stand out as your main user of expensive communications? Is there justification for it? Could reductions be made at that point without impairing the work? Or could others learn something valuable from this use of speedy messages?
- How many of your telegrams or long-distance calls begin with an apology for the delay in acting?
- Do some of your urgent communications contain information or decisions that were already known a day or more earlier? Is it often an executive or a secretarial fault that prevents the message from being transmitted in letter form as soon as it is known?
- Do you often have the impression that your high-cost message was left without action at the other end for several days? This may indicate that you are attaching more importance to what you have to say than others do.

- Are some of your departments or individual executives overlooking occasional opportunities to use high-priority messages as a way of emphasizing their points or striking while the iron is hot?
- Could some old problems that have seemed insoluble be altered by injecting telephone or telegraph speed-ups into the approach?
- Do you have a general company or office policy for deciding when a high-cost communication is needed?

Of course, overly strict control over communications expenditures can give the unwanted impression of pettiness. Rather than setting up cumbersome control procedures, it is often more effective to insure that your personnel are aware of the importance of keeping a close eye on high-cost communications.

One way to accomplish this is to circulate periodic memos that read something like this to department heads and key people:

Before deciding it's too late to do something, let's ask:

- Could the picture be changed by using the long-distance telephone or by sending telegrams?

Before sending a telegram or placing a long-distance call, let's ask:

- What time is it at the other end?
- Can they do anything about it quickly anyway?
- Have I got *all* the information I need?
- Especially if it's a phone call, do I know *exactly* what I want to say? The man at the other end will appreciate this; his time may be even more valuable than our money.
- Am I using a high-cost communication because there is a definite need for speed or in order to get attention?
- Will the forceful impression really help us?
- Or might it work the other way—make us seem panicky, hysterical, self-important?

After sending a high-cost message, let's ask:

- Could we have avoided this by acting sooner?
- Is there any letter we should be sending *today* to avoid another urgent communication *tomorrow?* ♦

Wanted: Statesmanship in Industry

By A. H. Raskin

Condensed from The New York Times Magazine

LAST YEAR'S STEEL STRIKE dragged on for 116 days. Since then, an even longer and more bitter strike has been taking place in the East Coast shipyards of the Bethlehem Steel Corporation. The nation's rail systems and the railroad brotherhoods are moving toward the crucial phase of their long debate over "featherbedding." In aircraft and missile plants, a coalition of two of the country's most powerful unions—the International Association of Machinists and the United Automobile Workers—has been pitted against such giants as Lockheed, Convair, and United Aircraft.

An even broader alliance of AFL-CIO unions has been formed in anticipation of negotiations with General Electric and other huge electrical manufacturers. G.E. has informed the unions that it intends to give less this year than it has in the past. Long before contract talks began in July, the company served notice that it would not swallow demands it considered unsound, and that it would make every effort to keep its plants open if the unions walked out. If this happens, union leaders anticipate a reversion to the "jungle warfare" of the early New Deal period, with cars overturned, heads broken, and martial law.

What accounts for so much acrimony at a time when profits, wages, and jobs are at high levels and when many corporations and unions continually demonstrate that mutual respect can bring about strike-free relations and higher rates of productivity?

On the management side, there are two principal considerations. The first is a belief that unions have usurped too many management functions, with a resulting drop in employers' ability to eliminate waste and to offset higher labor costs by higher

efficiency. The second is a conviction that recent sharp dips in labor's prestige, coupled with signs of internal weakness in individual unions and in the general labor movement, make this an advantageous time for industry to regain the upper hand.

On labor's side, the difficulties are many. The proportion of the nonfarm work force enrolled in unions is going down. Only one worker out of every three is in union ranks. Automation is cutting manpower needs in the fields where unions always have had their greatest appeal. In the factories, blue-collar workers are being replaced by hard-to-organize engineers, technicians, and white-collar employees.

Each side also has its strengths. Most major industries are becoming cushioned against the financial hardships of a long strike. Last year, for example, despite the longest work stoppage in the steel industry's annals, the combined net profit of the leading steel producers (as computed by the First National City Bank of New York) came to $816 million—a rise of 5 per cent over the 1958 net. Another management asset lies in the spread of automation. In the Bell System, for instance—where the threat of a walkout once was capable of exciting universal public alarm—automatic equipment for local and long-distance calls plus a high proportion of non-union supervisors and technicians have made the communications system virtually strike-proof. Electric utility companies are in much the same position.

Unions, born of adversity, function best when the going is toughest. If they run into a united front of intense management resistance, they may reforge the same ties of militance, loyalty, and mission that held the steel workers so firmly together. There is also revived purposefulness on the organizing front. At the May meeting of the AFL-CIO Executive Council in Washington, George Meany made it plain that he was determined to disprove suggestions that labor was suffering from hardening of the arteries.

Labor has a substantial number of allies in management. Thousands of employers, pleased with their constructive union relations, want no part of the harsh line being taken by their fellow industrialists. Those who have found unions helpful in stabilizing their industries and overcoming roadblocks to efficiency are often among the most voluble of union champions.

How can the joint resources of unions and employers be concentrated on a more vigorous pursuit of industrial harmony and economic growth? The most promising approach still seems to be the one recommended ten years ago in a National Planning Association study of the causes of industrial peace. The study found that the most wholesome conditions prevailed when a strong, secure management and a strong, secure union tried to work out specific problems in an atmosphere of mutual trust, instead of posturing over slogans or haggling endlessly about the boundaries of each other's rights and responsibilities.

But, within this framework, the bargaining process itself needs reexamination. The financial complexities involved in computing pension and welfare costs; the human and

technical problems presented by radically revised production methods; the increasing bigness of big business; new challenges posed by industrial use of atomic and solar energy—all these have raised doubts about the adequacy of traditional collective bargaining techniques.

Secretary of Labor James P. Mitchell has recommended that company and union officials develop year-round lines of communication, to prevent the bargaining table from buckling under an overload of problems too intricate for solution under the pressure of a strike deadline. Some industries have already started to build such machinery. The construction unions and the major contractors' associations have set up a national joint conference to spur efficiency, curb strikes, and hold down skyrocketing building costs. Both the United Mine Workers and the needle trades unions are also trying to stabilize their chaotic industries and to advance the welfare of employers, workers, and consumers. Perhaps the most constructive result of the steel strike was an agreement to establish a Human Relations Research Committee to explore the long-range problems that imperil labor-management peace. However, it is too early to tell whether it will prove more than window-dressing.

Last November, George Meany proposed top-level consultations between unions and employers, in hopes that each large industry would arrange for a continuing and broad interchange of views. These hopes have been dimmed by the failure of the NAM to designate a "big name" committee to sit for industry in the planning conferences and by the decision of both sides, after a desultory opening session, to suspend talks for ten weeks while the conferees went back to business (and conflict) as usual.

Does this mean that we must resign ourselves to more and bigger strikes, or abandon faith in the voluntary solving of industry's problems? Apparently, no. Seldom has there been such concentrated attention on improving industrial relations. The Committee for Economic Development, the National Planning Association, and the Fund for the Republic have undertaken studies to explore what is wrong and why.

Even where the chances for explosions of ill-feeling are high, there is a readiness to communicate away from the bargaining chamber. Union and company leaders at G.E., for example, met repeatedly before the formal start of bargaining to assure advance preparation of all the necessary economic information. This kind of cooperative homework contrasts with the keep-out policy that used to send a union scurrying to the National Labor Relations Board to demand data it could not get from a company.

There is a clear need for labor and management to subordinate their private interests to the larger needs of the community. Up to now, each has been too preoccupied with explaining why "what's good for our side is good for everybody." In a world where the wise use of our industrial energy is so necessary to survival, this is too narrow a focus. Statesmanship is as essential at the bargaining table as it is in international relations. ♦

Reciprocity:

INDUSTRY'S SECRET SALES WEAPON

By Melvin Mandell

Condensed from Dun's Review and Modern Industry

IN THIS ERA of aggressive selling, more and more industrial salesmen are dropping the soft-sell mask and taking up the big stick of reciprocity.

Reciprocity takes many forms. The most common—and the one which influences the largest part of all dollars exchanged in trading—is in sales between manufacturing corporations. Whether or not it's put into words, "You buy my product and I'll buy yours" is a universally understood sales formula.

The sales department, however, is not the only one involved. The manufacturer who sells to common carriers expects his traffic manager to smooth the way for company salesmen. Conversely, common carriers expect business in return for purchases of equipment. The traffic manager of a large manufacturer of railroad equipment says that the president of one railroad sends him a copy of every purchase order of his company's products.

Reciprocity has many other shapes. For example:

- When a bank or insurance company puts up a new building, the contractors are usually clients of long standing.
- When one big paper manufacturer built a new headquarters building, most of the chairs were ordered through a local stationery wholesaler who has a small sideline in office furniture. The wholesaler distributes large quantities of the manufacturer's writing papers.
- Pressure is building up in advertising agencies for greater loyalty to the client's product, if it is something that agency personnel normally purchase, like cigarettes, liquor, or aspirin.

To a lesser degree, reciprocity can also affect other areas of business:

Diversification: Some manufacturers hesitate to acquire companies that compete in some way with good customers. Some of the companies that have diversified without keeping this factor in mind have lost valuable business.

Product development: After hiring a crew of computer experts, one giant electronic manufacturer hesitated to go into the computer business. He was afraid of offending a big computer manufacturer who bought tens of millions of dollars in components each year. After six years of indecision, the company finally did start making computers—but most of its computer designers had quit by then because they couldn't practice their trade.

Plant construction: When one manufacturing company built a new plant, management specified gas-powered air conditioning, despite the fact that it cost much more than conventional equipment. The company makes pipe-joining and repair gear for the natural gas industry.

Despite wide opposition to its use, reciprocity does offer some legitimate economic benefits to companies that practice it. First of all, selling costs are reduced: Salesmen can concentrate on the tough customers. And, on the basis of markets guaranteed by reciprocity, management can plan plant expansion and other major expenditures with greater assurance.

Reciprocity can be a stabilizing force in industry. But its benefits must be weighed against its many disadvantages. Some executives assert that a company's sales force can be weakened by reliance on reciprocity. One businessman believes that it has contributed to the decline of "old-fashioned aggressive selling" and its replacement by mere "order-taking."

If top executives continually tell their purchasing agents where, when, and how to buy, the agents may soon lose the will to do their best job. An extensive survey of purchasing agents by *Purchasing* magazine revealed that 75 per cent of the agents think that a policy of reciprocity does *not* improve a company's profit picture. Futhermore, if a company uses reciprocity as its main sales weapon in gaining a large share of a given market, it is violating the antitrust laws and asking for attention from the Justice Department and the Federal Trade Commission.

Aside from wanting to avoid the undesirable reputation of using purchasing power as a club, companies are afraid that a heavy-handed approach to reciprocity can boomerang economically. Take the case of the acid salesman who tried to bully the purchasing agent of a fuse manufacturing company into buying acid on a reciprocal basis. The salesman implied, without official sanction, that his plant would buy its fuses elsewhere if he didn't get an order for the company's annual acid needs—a matter of only a few hundred dollars. To his surprise, the purchasing agent showed him the door. A few days later, the salesman was even more startled when his boss handed him a pink slip, explaining that the irate purchasing agent had canceled an order for many thousands of dollars worth of paint from another division of their company.

How does a company establish reciprocity? When it decides that it will use its purchasing power as a sales tool, it compiles statistics on annual sales and purchases in order to find areas where buying from its customers may open the way to new sales. Gathering accurate sales data does not mean, however, that the company will apply reciprocity on a percentage basis: Very few customers demand that sort of treatment, and those that do are handled diplomatically.

To take full advantage of purchasing power for reciprocal purposes, many decentralized companies find it necessary to centralize purchasing or at least to supervise purchasing more closely. Diversified, multidivisional organizations often appoint a specified official called "director of trade relations" or "manager of customer relations." His job is to "educate" company personnel on the company's reciprocity policy and to act as an intermediary.

In adopting a policy of reciprocity, a company must choose between buying from customers only when they offer quality and service equal to their competitors', or buying from customers under all circumstances. There are obvious disadvantages in a rigid policy of always buying from customers. It carries a clear risk that the company will pay more than it needs to or will get less service and lower quality. Companies which invariably buy from customer-suppliers often feel that the good will gained makes the risk worthwhile. The Glidden Company, for example, has a set policy of buying from customers wherever possible. Although R. L. Lozon, director of purchases and trade relations, admits the company has occasionally suffered, he points out that its customers are all reputable organizations. Glidden is satisfied that the products they buy are the best available.

Other companies decide exactly to what degree they will modify their standards—or how much higher a price they'll pay—and then deal with each situation tactfully as it arises.

Even the more common practice of buying from customers when price, quality, and service are equal can sometimes lead to higher costs. Generally, this kind of reciprocity means careful apportionment of purchases among qualified customers in relation to sales. In buying chemicals, plastics, steel, or truck tires—where products are standardized—this policy can hardly raise costs. And it often means less danger of being caught short when there are strikes or other disturbances in the supplier's industry. But in buying complicated production or office equipment, apportioning purchases can lead to the higher training costs and greater inventory of spare parts associated with a lack of standardization.

Companies which are against reciprocity on ethical grounds—or which lack the purchasing power to retaliate when their competitors use it—have learned that the pressure to conform can be resisted successfully. The president of Dixon Chemical and Research, Inc., claims that his company held on to sales by offering better and faster delivery service to counter the reciprocal pressure of its big competitors.

As long as reciprocity means no

more than the human practice of giving qualified customers the inside track, the ethics involved and the practical advantages and disadvantages will remain a matter for individual company decision. But if the increasing sharpness of competition drives some desperate or unscrupulous executives to misuse their companies' purchasing power—if too much brutal application of reciprocity occurs—restrictive legislation will be invited.

So far, reciprocity has only been mentioned incidentally in Congressional hearings. But one large-scale televised hearing devoted to the subject could backfire on all companies that practice it, no matter how passive their trade relations or how reasonable their purchases from customers may be. ♦

"No raise, Durkin, but effective the fifteenth of next month you may start calling me by my first name."

The Plight of the Ex-Executives

We hear a great deal about the shortage of executive talent, but not much about the very real problems of capable men who have lost top positions through no fault of their own . . .

By Norman C. Miller, Jr.
Condensed from The Wall Street Journal

IN SAN FRANCISCO, a former $20,000-a-year treasurer, now unemployed, anxiously scans job listings at a state employment service office. In a Chicago suburb, an ex-vice president worriedly writes the 300th in a series of letters to firms he hopes can use his services. In New York, a former general sales manager, now a salesman, ruefully contemplates his cut in annual income from $25,000 to $12,000.

These men share a common lot: They can't find new executive jobs. Their sudden ousters from long-held posts stem from corporate reorganizations, not from incompetence. But their age, their own bewilderment at their plight, and the complexity of executive hiring systems have blocked their efforts to regain their former status.

According to a score of executive recruiters and management consultants, the number of unemployed executives is growing. Reasons: Mergers eliminate many top jobs. Rapid technological advances—drastically curtailing demand for traditional products of many industries—cause retrenchments. Even when there are no outright dismissals, changes often bring office intrigue, policy rifts, and personality clashes that lead to executive ousters.

The plight of ex-executives, unpleasant as it may be, should also interest active bosses. New owners don't always respect seniority and past performance. "A man should always have an anchor to windward," counsels a management consultant. "When he sees these things happening to others, he should be thinking: What would I do if this happened to me?" For mergers continue at a record clip. The Federal Trade Commission counted 525 merger talks—either started or completed—during the first six months of 1960. And some of the biggest consolidations are yet in the offing.

For the average medium-salary unemployed person, finding another job is a clear-cut matter of making the rounds of company personnel departments and employment agencies. But there are few agencies that cater to the executive trade. Ex-executives face a chore that most of them are ill-equipped to handle.

Many ex-bosses have little idea how

to write a résumé that will entice an employer, say job experts. Some specialists advise executives to write "reports" analyzing their past experience and to forget the standard résumé format. But this can be carried to extremes, as in the case of the ex-sales executive who explained at length how he had successfully licked his alcohol problem 15 years ago. A short but successful letter was written by a former purchasing agent: "I have been signing checks on a single-signature basis for $1.5 million per year. I would be interested in exchanging references." This succinct statement netted him interviews from all seven of the companies to which he wrote and, in short order, a job.

Unemployed bosses also find themselves outside most executive hiring systems. According to Executive Manpower Corp., a New York consulting firm, companies fill more than half their posts by promotion. When they do go outside for talent, they rely greatly on executive recruiters, and recruiters hardly ever choose ex-executives for their clients. "About 99 per cent of the people we get for positions are already employed," remarks Hallam B. Cooley, vice president of Handy Associates, an executive recruiting firm.

To remain on equal footing with employed job rivals, ex-executives can't appear too eager for a job. This boils down to a subtle sell—to the right people. "You've got to reach a top man—the president, if possible," says a former personnel manager. Personnel officials, he discloses, seldom have authority to hire executives above the $15,000 level. In order to get to top officials, most ex-executives rely on passing word of their availability among friends and business acquaintances.

In an interview, most unemployed executives miss the fine line between underplaying and overplaying their hand. "They talk too much and try to overly impress the employer," claims one employment agency official. But a company executive counters: "They sit there, don't tell me anything, and dare me to find a reason to hire them." Says a management consultant, "Companies are interested not only in what a man has done, but also in what he can do for them."

An ex-executive's age is often a painful handicap. Most former bosses are middle-aged, and companies with extensive training programs are often reluctant to hire men past 35. But employment officials disagree on this factor's importance. "Age is generally only an excuse for not hiring a man," says Richard D. Gleason, a Chicago executive counselor. "The real reason is that he fails to sell himself." Many job experts, however, advise older ex-executives to concentrate on small firms. "We're seldom asked to secure a man who is over 50," says Mr. Cooley.

Most of the job counselors advising ex-executives are headquartered in New York and Chicago. Unlike employment agencies, they usually don't seek out jobs for their clients but drill them on the techniques of job-finding and résumé-writing. Employment agencies find executive placement unprofitable because it takes so long to line up a middle-aged former boss with a job. Robert Schwarz, president of the National

Association of Employment Agencies, says none of the group's members specializes in placing high-salaried men.

Most trade and professional groups don't get too involved with job-hunters, but a few private organizations, like the Sales Executives Club of New York, sponsor job-hunting services. The club has expanded its service to nonmember sales bosses and now has 1,300 resumes on file—about 90 per cent of them from men who were forced out of their jobs.

Fortunately, most ex-executives are financially able to ride out a lengthy period of unemployment. Employment officials say most ousted executives receive about three months' severance pay, and presidents get up to a year's salary. Some bosses with contracts get even bigger settlements.

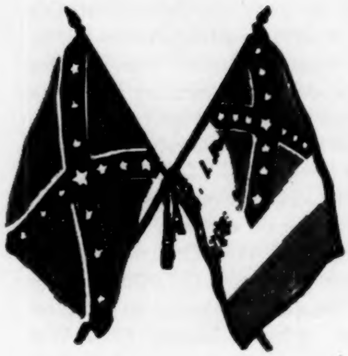
Nonetheless, many ex-executives frankly admit that, after a few months of fruitless searching, they're ready to take the first job that comes along. A job counselor notes: "When a man has been out of work for six months, he begins wondering about himself and can get pretty upset over it. It takes guts; he has to keep calm and not jump at the first Grade-B job he is offered, just to shut up his friends." Warns another employment official: "If he drops back too far in the corporate hierarchy, he may hurt himself and never be able to regain stature."

In at least one instance, bounced bosses have banded together to try to solve their problems. About a year ago in Berkeley, Calif., Ralph Moore of the state employment department became concerned about the number of former top officials who were registering for unemployment compensation. Most of them seemed completely demoralized, so he invited them to get together to talk over their difficulties.

Out of these informal gatherings has developed Experience Unlimited, a group (with transient membership, of course) that meets weekly to swap job-hunting tips. About 120 men have joined Experience Unlimited for varying periods in the last year. Only about 30 got jobs through the group, but members are enthusiastic. "It's a wonderful morale booster," says a current member, "to know that other capable men are in the same boat through no fault of their own." ♦

Eight Ways to Lose the Right to Manage—a Correction

"Eight Ways to Lose the Right to Manage"—which was condensed from *Management Methods* and reprinted in the August issue of THE MANAGEMENT REVIEW—was originally adapted from the manual, "Management's Right to Manage," by George W. Torrence, published by BNA, Inc., a division of the Bureau of National Affairs, Inc.



The coming Civil War Centennial will soon make this century-old prediction come true . . .

"The South Shall Rise Again!"

Condensed from Business Week

WHOEVER SAID "Save your confederate money, boys, the South shall rise again" ranks as a business prophet. Today, Confederate dollars sell to collectors at $4 apiece. In fact, anything related to the Civil War has become something of value as America heads into four years of the biggest commemoration in its history: The Civil War Centennial, 1961-1965.

Already a wide variety of businesses are planning to cash in on the centennial—although the first shots of the war won't be 100 years old until Jan. 9, 1961. From that day—marking the first sniping around Fort Sumter—until the stillness resettles around Appomatox more than four years later, millions of commemorative dollars will be spent in what figures to be the biggest outpouring of hobby money in history.

From the commercial standpoint, the awakening in the past few years of America's interest in the Civil War has already been a boon. Flagmakers report that a substantial part of their revenue comes from sales of Civil War flags and pennants. Tourism, much of it directed to Civil War sites, now ranks as the second most important industry in many states of the Old South. The entertainment world is tapping the Civil War's trove of story and legend for stage, TV, and motion picture material.

Plans for the centennial include re-enactment of more than half the war's battles. In fact, there is some concern that the celebration will get all too realistic. When invited to send

a contingent to the re-enactment of First Manassas (Bull Run), one Southern lieutenant governor asked if the troops would be permitted to use live ammunition.

To discourage too much realism on the one hand and hucksterism on the other, Congress this year created the Civil War Centennial Commission, with an appropriation of $100,000. The commission's main purpose is to stimulate the creation of state and local committees and to coordinate their activities. So far, 42 states have set up commissions and, as of June, 1960, various states had earmarked $2,417,000 to finance these commissions' activities.

Basically, the centennial celebrations will follow a chronological order. The first round will consist of pageants re-enacting the secession ceremonies in several Southern states. In Montgomery, Ala., a professional company will put on a six-day event next February, culminating in the inauguration of Jefferson Davis. Jackson, Miss., will stage its secession ceremonies next January, topping the event with a parade of 10,000 to 15,000 volunteers wearing grey uniforms—manufactured, of course, in the South.

But the battlefields will draw the biggest crowds. Explaining this phenomenon, North Carolina Supt. of Archives W. S. Tarleton says: "There are just a lot of people in this country who like to go around to battlefields, and we don't have any battlefields from more recent wars in this country."

Armies, even when merely re-enacting, require gobs of supplies. Gun dealer Val Forgett of Bogota, N.J., has already ordered a second run of the 2,000 replica rifles he had produced in Italy on speculation this year. Uniform manufacturers report a big spurt in activity, although they say the demand is running heavily in favor of Confederate gray.

But the real business will be provided by the bands of Civil War buffs and the legions of tourists. Just about every major oil company is preparing special Civil War Centennial maps. Sinclair budgeted $225,000 this year for a special ad campaign to stimulate tourist visits to historic Civil War sites. Many railroads and bus lines are featuring charter trips to sites. The B&O is renaming its fleet of Pullman cars for Civil War battles. Lippincott & Margulies is redecorating a string of southern hotels to incorporate Civil War motifs.

Promotionally, the war will be well mined. Over 60 of the 100-odd companies that date back to ante bellum days have asked the Civil War Centennial Commission how they can tie into the commemoration. Companies in Civil War locales will promote that fact. The South's Foremost Dairies, Inc., will run a series of historical pictures on its milk cartons during the centennial, and promises to present several "Civil War flavored" ice creams in the next few years.

National Distillers, after considerable research, discovered that Gen. Ulysses Grant drank its Old Crow brand. It is considering a series of ads to that effect. Several department stores have already sketched out Civil War display windows. And a swarm of companies will turn out Civil War toys, stationery, games, men's accessories, buttons, ash trays, etc.

There's plenty of opportunity for the established Civil War expert. Historian Bruce Catton has turned down endorsement offers on products ranging from baking soda to battlefield pamphlets. Ralph Newman, proprietor of Chicago's Abraham Lincoln Bookshop, is being retained as a Civil War consultant by several companies.

Publishers will unleash a flock of Civil War books, including some handsome, expensive sets. New York's big amusement park, Freedomland, typifies the many tourist attractions that are prominently featuring exhibits of war incidents. And Johnny Rebs and Billy Yanks will raid TV screens now held by western and big-city gunslingers. Says Newman, "It will be virtually impossible for anyone to remain unaware of the War and its centennial."

National Centennial Director Karl Betts puts it this way: "The South may have lost the War, but it's sure going to win the Centennial." ♦

Must Agency Men Use Clients' Products?

SHOULD ADVERTISING AGENCY EMPLOYEES be required to use products made by their clients? And does product use have any bearing on the advertising an ad man creates or on the sales effort of a salesman? These are issues that continue to divide advertising executives, according to a recent survey of 1,000 executives conducted by *Printers' Ink.*

An overwhelming 74 per cent of agency executives say they expect personnel to use client wares. The client himself is responsible for only part of this. Just 41 per cent of advertisers say they urge agency people on their account to use their products—while on the other hand, 64 per cent of them want such loyalty from their own company employees.

Attitudes on the subject vary widely. While only 3 per cent of the respondents feel that an agency should *require* its employees to use clients' products, 70 per cent think that agencies should encourage or even expect it, though without taking any action to see that they do. Only 22 per cent take the independent stand that an advertising agency is paying its employees for their talent and ability, not loyalty to clients' products.

There are many reasons cited for ad men's emphasis on trying—even using regularly—the products they are trying to sell. Perhaps the most important, say respondents, is that use of a product generates the knowledge, enthusiasm, and sincerity that help to create effective and believable selling and advertising. So strong is this feeling that 68 per cent feel that it is *necessary* for a copywriter or salesman to use a product to sell it most effectively.

Speaking for the 32 per cent who do not feel personal use is a selling requirement, one ad manager says, "It's a free country. If the product's inherent quality and value cannot 'sell' the agency people who write ads about it, maybe the product should be re-examined."

Will TRADING STAMPS Stick?

By Richard Hammer

Condensed from Fortune

STOCKHOLDERS of the Great Atlantic & Pacific Tea Co., at the company's annual meeting in June, kept pressing president Ralph W. Burger about A&P's continuing resistance to the use of trading stamps. Finally, he snapped: "These stamps are a drag on civilization." But, he noted unhappily, A&P might be forced to use them "if it becomes necessary and desirable and if they produce the results."

Apparently, they are producing results. A&P now offers stamps in 19 stores in Los Angeles. In addition, most of the other large supermarket chains that are on record against stamps—including Safeway Stores, National Tea, and Kroger—have given in and are now using them in most of their stores. It is obvious that millions of consumers want them, and many will go out of their way to get them. Ordinarily, these days, they don't have to go far; in some parts of the U.S., the problem is not how to find a store with stamps, but how to find one without them.

According to one recent survey, about 75 per cent of American families now save trading stamps, and almost half the savers save more than one kind. In 1959, stamps were distributed by some 200,000 retailers, usually at the rate of one stamp for every 10 cents spent. All told, some 275 billion trading stamps were passed out by supermarkets and other retailers, and were tied to a sales volume of $32 billion—about 15 per cent of all retail sales.

Supermarkets buy these stamps from one of about 250 stamp-plan companies. The biggest of these by far is the Sperry & Hutchinson Co. of New York, which will do perhaps 40 per cent of the trading-stamp industry's 1960 volume of $700 million. Other major plans include Top Value Enterprises of Dayton; Gold Bond Stamp Co. of Minneapolis; and the Blue Chip Stamp Co., owned cooperatively by supermarkets and other retailers, and limited to California. After selling the stamps to the supermarkets, these companies accept them from the supermarkets' customers in exchange for merchandise at about 1,600 redemption centers across the U.S. In 1960, it appears, these redemption centers will distribute merchandise that, if it were bought at department stores, would cost perhaps $675 million.

These sizable figures demonstrate that a lot of people are tied to the

trading-stamp business these days: retailers, consumers, and the stamp companies themselves. For retailers, trading stamps have provided a way of boosting the gross without raising prices. When the gross does not increase, however, the retailer may begin to think of the stamps as a nuisance and an added expense, and raise his prices.

Retailers use the stamp plans, according to Richard Ettelson of the King Korn Stamp Co., "to develop a savings pattern in the consumer, so that she gets locked into the program and keeps shopping at stores giving stamps." But the retailers are finding that they, too, are getting locked in. Once they buy a plan, they cannot drop it without alienating the new customers that stamps have brought in and the old ones who have become avid collectors.

For consumers, trading stamps have meant a way of getting valuable premium merchandise free—or at least painlessly. But the consumer may begin to feel some pain if the stamps mean further increases in food prices. For the stamp companies, their plans have meant years of furious growth. But how long can such growth go on? By logic, stamps should become less valuable as more and more competing stores use them.

About 65 per cent of all trading stamps are distributed in the grocery field, and stamps are given with about 40 per cent of all grocery store sales. Gasoline stations and drygoods stores use them occasionally, too, but groceries are the ideal products for a stamp plan, because they are bought repeatedly and in heavy volume.

Today, all of the ten biggest grocery chains give stamps. Two make only limited use of them, however; Jewel Tea offers them only in its small Eisner division, and A&P gives them out only in Los Angeles. The Super Market Institute says that stamps are given by 72 per cent of all food stores with a volume of over $1 million, and by about three-quarters of all such stores in chains whose sales are over $25 million.

The movement of trading stamps into a community generally follows a pattern. A stamp company, such as S&H, Top Value, or Gold Bond, finds a supermarket chain with a relatively small share of what it considers its potential market. The stamp company's representative comes armed with figures that show the growth in business that others have gained by using stamps, and which suggest that the stamps will bring in enough new business to more than pay for themselves.

The supermarkets buy the stamps from the stamp company. The price is ordinarily figured at 2 per cent of retail sales, and the sales figure is often determined in a close audit of the books. A supermarket that has an annual volume of $1 million, for example, might pay the stamp company $20,000 for about ten million stamps. The stamp company gives the store an exclusive franchise for its stamps in the trading area. In addition to the stamps, the retailer receives savings books, catalogues of merchandise for redemption, and plenty of promotional material. Meanwhile, the stamp company sets up a redemption center nearby, to which savers can bring their filled books and select premiums.

With the signature of the supermarket on a contract—which may run from one to ten years—the stamp company will proselytize the surrounding drugstores, dry cleaners, service stations, and other small merchants, attempting to build up a "family of stamp givers" around the supermarket. These smaller merchants ordinarily pay more than 2 per cent of their sales to get the stamps they need. Characteristically, they buy their stamps in small lots, and they might pay as much as 3 per cent—but they generally give stamps only to customers who ask for them, which brings down their net cost.

When the clients are signed up, the stamp company sets off a barrage of newspaper advertising and throwaway promotions to announce the impending local revolution in retailing. Special offers (e.g., extra stamps on selected items) are made in order to get the customers in and to acquaint them with the different departments of the store. In the weeks following, the store may continue to use "double stamps" to beef up business in any department not doing the volume it should. In areas where stamps are something new, a store introducing them might well gain 30 per cent or even 50 per cent in volume in less than six months.

These successes are not, of course, lost on the competition. Competing chains may try to offset the stamps with their own premium offers, but these are generally one-time deals, which cannot win customer loyalty as effectively as a continuing program can. Some stores also use tape plans: Customers save the cash-register tapes and later exchange them for premiums. These plans, however, are expensive for a store to operate and difficult to control, and tapes do not seem to have the same appeal to housewives as trading stamps have.

Stamps have also been fought, though without success, in several state legislatures. One argument against them is that the stamps, if they really have any value, represent indirect price cuts and so violate some unfair-practice laws.

Finally, stamps have been fought simply with low prices. In this age of affluence, however, few consumers have the patience to figure out which supermarket is, on balance, the cheapest place to shop.

And so the other chains rush to other stamp companies. President H. V. McNamara of National Tea, which took on S&H stamps in Chicago, says, "We fought stamps with everything we had before we capitulated. But women believe in them. They'll leave their change on the counter, but not their stamps."

The appeal that trading stamps have for many consumers is not hard to explain. The stamps allow the housewife to get the small appliances, housewares, and luxuries that she might never get around to buying if she had to pay cash. If she gets the stamps without having to pay more for food, then they are a bargain. And even if her food costs rise, and she knows it, she may still look on stamps as an easy way to save up for the merchandise she finally gets. Milton Friedman, University of Chicago economist, believes that this may be the real appeal of stamps today. "People are willing to pay people to force them to save," he says. ♦

Marketing and the Import Challenge

By James A. Hagler

Condensed from Harvard Business Review

"VOLKSWAGEN to Import Station Wagons Made in Brazil—May Hit 1200 This Year."

"Japan's Cotton-Goods Exports to U.S. Up 5 per cent in '59."

"U.S. Mills Cite Imports as Brass Sales Lag."

Headlines like these — appearing with increasing frequency—are signs of the marketing challenge offered by foreign businesses operating in domestic markets. How have U.S. companies responded to the challenge? To find out, a survey was conducted among 135 top sales executives. Here is a summary of the survey results.

Has foreign competition stimulated changes in the product or services that your company sells? The returns indicate that companies are fighting foreign competition with more frequent changes in models, styling, finishes, and features than would be considered necessary or wise from a cost standpoint. They are modernizing to increase capacity in order to meet the press of production from ultramodern foreign equipment. And, in some cases, they have downgraded specifications to meet the lower prices of foreign-made goods.

Has foreign competition stimulated changes in your product research program? Most companies affected by foreign competition have increased their research and development activities, but claim that it was only one contributing factor in their R&D programs. Other research aims: to develop new or revised—and cheaper

—manufacturing techniques, and to find products that can be sold in the domestic market without the abnormal pressure of low-price competition.

Has foreign competition increased your marketing research? Although most companies have boosted their market research, their methods have varied. Some firms have depended on their trade associations or industry Institutes; others, while stating that they've stepped up marketing research, admit that they have not increased their staffs or budgets to do so.

Marketing research, to a few companies, has meant instructing their field men to furnish more detailed information on the competition's quality and price or discovering better ways of selecting distributors. Some companies, realizing that they lacked a clear idea of their foreign competitors' capacities and expansion plans, are now studying these factors so they will know more about the competition they face today or may face tomorrow.

Has your company changed its pricing policies because of foreign competition? Unquestionably, lower prices on foreign imports have forced price reductions, but generally these have been isolated rather than across-the-board changes. For example, one firm has had to reduce prices in the coastal areas. But occasionally—as in the plastics industry—the impact of import material has reduced prices throughout the country.

Those who have not tried to meet foreign prices fear they may have to do so later, and report that they are watching prices much more closely. But it is generally felt that there is little to gain by reducing prices, since foreign wage differentials preclude serious competition on price.

Has your company changed its brand policies as a result of foreign competition? In general, companies have been cautious about tampering with their conventional brand policies. Some who have not made changes are considering doing so; some have tried introducing lower-quality brands; and others have even changed the brand name of an entire product line in order to compete directly with foreign goods. Some products are not usually thought of in terms of brands; in these cases, some managements are considering stamping "Made in USA" on them.

The value in changing brands to compete with foreign products is still open to question. For example, one company's changes were effective for six months, but when foreign competitors lowered the price, the company's new brand policies ran into difficulties. Others—although claiming success in creating brand preference for their own products through advertising, promotion, and publicity —still wonder if the results were worth the expense.

Has foreign competition caused you to alter your distribution channels? Some companies, as a result of *all* types of competition, have been increasing warehouse facilities to match deliveries of competitors. There has been, as well, some reshuffling of distributors — some dropped, some added. In several instances, executives report that some valuable distributors have been lost because the company itself has taken on lines of imported goods.

Yet such changes are not exclusively the result of foreign competition. According to one executive: "A total change in the marketing concept has caused us to review our distribution as much as foreign competition has. But foreign competition has been the catalyst."

Has foreign competition revived interest in personal selling and in better sales methods? While most companies answered *no* to this question, many are telling their salesmen to be more than mere "order takers." The days of the "hard sell" have returned, many of the executives feel, and they express hope that marketing research will give some help to the man on the firing line.

Has foreign competition brought about an increased advertising budget? To this question, most executives replied *no,* although a few indicated that moderate increases in advertising budgets have been made. While the current profit picture has caused some companies to hold tight, foreign competition has caused a great deal of budgetary soul-searching aimed at finding the best ways to spend each and every dollar.

Where increases have occurred, the firms emphasize that their real problem lies in domestic competition. But many companies are becoming more aware of the possible value of advertising in combating foreign competition. One pro-advertising executive reports, "We recognize more and more that advertising has a great responsibility in pointing up the real quality, service, and new applications of American-made products."

Has foreign competition caused changes in your company's advertising policy? Most companies have been slow to make changes in advertising policy. Some executives, in fact, report that their companies have made no changes whatsoever. Others report that changes have been made in the following directions:

- Shifting advertising from indirect to direct approaches.
- Selecting different media through which to reach the consumer.
- Inventing new types of promotion.
- Changing the emphasis of advertising—e.g., from price to style.
- Omitting list prices in national advertising—thus providing the competition with less of a "price target" to shoot at.

Most firms have not bothered to make significant changes in the advertising mix directed to the trade and consumers. Some have tried stressing the advantages of purchasing from domestic suppliers; advertising "against" a foreign product; or rebuilding an image of the company to meet all competition, domestic and foreign. What advertising has been done along these lines, most firms feel, has been only moderately successful.

Has foreign competition changed your company's attitude toward the importance of packaging and display? Most firms believe that foreign package design and construction are extremely poor and, therefore, not too much of a problem. What packaging changes were made were principally to counter all types of competition: to eliminate complaints about damage in delivery, misrepresentation on labels, and unattractive packages. In some cases, these packaging changes

have caused foreign competition to upgrade their packaging. And, although most respondents feel it is too soon to evaluate results of packaging strategy, most are adopting a watchful, waiting attitude, are looking into new packaging, and are keeping a close check on the cost and the effectiveness of present packaging.

Has your company significantly changed its servicing policies and procedures as a result of foreign competition? The area of service is where the marketing executives feel they hold the greatest competitive edge over foreign enterprises. But no one seems to be taking any chances. Companies are trying to handle order acknowledgment better, give quicker credit service, provide faster claim settlements, improve delivery service, and provide additional customer services like engineering design and marketing research help. Field men are making more frequent customer calls, are reminding customers of the availability and dependability of domestic service facilities, and are pushing the greater dependability of domestic products. ♦

How To Foil Personnel Pirates

TODAY'S SEVERE SHORTAGE of executive talent has led to an unprecedented outbreak of pirating—one company looting another's managerial ranks. Here are some tips, compiled by *Steel,* for holding on to good middle managers:

Define the manager's job. Develop an organization guide that spells out each manager's responsibilities and authority. Advantages: less overlapping, better coverage of all necessary functions, ease of pinpointing responsibility, elimination of politics, speedier communications.

Keep the manager informed. A man will quickly become dissatisfied if he is not told about matters that concern him or his area of responsibility.

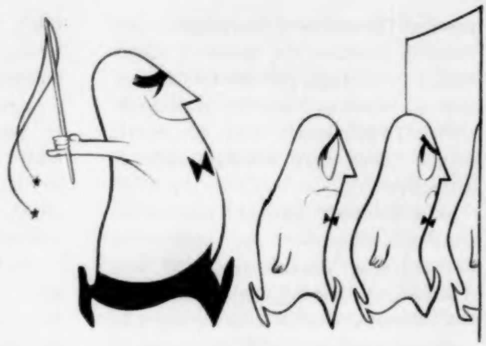
Don't "use" your managers. Some companies hire "names" or degrees for prestige purposes. One firm that hired two of the top men in its field for this reason paid them well, but failed to give them the responsibility and authority they deserved. They quit.

Give them problems. Many young managers turn down higher-paying jobs because they are learning, preparing themselves, solving problems, and meeting challenges in their present positions.

Be appreciative. When a man does a superlative job, he wants to be told about it. Show your appreciation for consistently good performance. And don't take your long-service people for granted.

Use the open door. If the top executive is aloof, the company is in trouble. Managers like to know that they can approach the top man when they feel they really must.

Don't put men in an arena. Sometimes a top executive will pit two managers against each other with the thought that the one who comes out on top is the "more promotable." This ruins efficiency, creates tensions, leads to poor health, and doesn't necessarily prove anything. It will often cause both of the men to look for new jobs.



Employee Discipline:

PROBLEMS AND POLICIES

Condensed from Industrial Relations News

AMONG top management's biggest concerns today are the limitations on its right to manage. In many companies, fundamental rights have been either wrested from management by union leadership or simply abdicated. No area illustrates this erosion more clearly than that of employee discipline. Unionized firms have signed away a good part of their right to discipline workers, and unorganized companies—often fearing unionization—have followed the policy patterns of the organized firms.

How far management's right to discipline has been weakened is suggested by these figures from the American Arbitration Association:

- Over 90 per cent of all union contracts provide for the arbitration of unsettled disciplinary disputes.
- Discipline and discharge grievances constitute the largest single group of all arbitration cases.
- In almost 54 per cent of the discharge cases—and in almost 45 per cent of the discipline cases not involving discharge — management's action is reversed or modified by the arbitrator.

Arbitration figures tell only part of the story. Because arbitration is usually distasteful to both unions and companies, it is invoked fairly infrequently. Many explosive disciplinary issues never reach arbitration because management defuses them in earlier grievance steps by acceding to union demands for modification or reversal.

Non-union companies, of course, are not obliged to follow rigid disciplinary patterns or arbitrate un-

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popular disciplinary measures. But industry practice, the threat of unionization, and tight job markets in certain occupations (notably secretarial, skilled mechanical, and technical) actually limit their absolute right to discipline.

The two most frequent reasons for employee discipline are poor work and chronic absenteeism. Of 456 disciplinary arbitrations studied by the American Arbitration Assn., 111 cases centered on inefficiency and 59 cases covered absenteeism. And a poll of 129 industrial relations-personnel executives indicates that absenteeism is the primary cause for discharge in 27 per cent of all cases, poor job performance accounts for 21 per cent, and inability to get along with fellow workers accounts for 12 per cent.

One problem facing large companies is how to maintain uniform discipline. Many firms simply standardize their rules and publicize them both to workers and to supervisors. But one large utility, with a completely unionized work force, prefers to operate with few, if any, company-wide rules. And though the union is a tough one, few disciplinary issues ever climb past the grievance procedure's first step. In this company, line supervisors are guided by general policy in enforcing discipline. One highly successful technique for indoctrinating supervisors in policy is the group discussion. Here's how it works:

Supervisors, in groups of 20 or so, are confronted with typical problems spanning the range of personnel administration—including employee discipline. To keep discussions on the track, 80 middle-management people, trained as group leaders, moderate the meetings. The discussion system, says a management spokesman, does more to reinforce supervisors' familiarity with company policy than lectures or written memoranda. But, says another, that policy must be consistent.

The American Institute of Certified Public Accountants in New York employs 140 people, the bulk of whom are white-collar and professional personnel. The Institute's biggest disciplinary problem is tardiness. Workers who have valid reasons for wishing to report after normal starting time may do so and work after normal quitting time, on a formal, permanent basis. Failure to report punctually is tolerated on this basis if the employee's habit is not disruptive. Otherwise, chronically late employees are reprimanded, eventually forfeit pay increases, and finally are discharged.

To reduce absenteeism, the Institute grants a paid day off to every employee who works three consecutive months without an absence. This attendance bonus rewards the conscientious employee who might otherwise feel foolish for reporting regularly when others get paid for occasional absences.

The National Lead Co. is a larger organization, employing more than 500 people at its headquarters in New York. To insure employee discipline, the company relies on three principles, says personnel manager Richard M. Cox: decentralization, flexibility, and self-policing. The company divides office groups into small units, working in private

or semiprivate enclosed areas. One immediate advantage of this fragmentation is the dampening effect it has on the company "rumor mill."

The supervisor of each employee work group has full responsibility for the group's discipline. No formula or standard procedure is used to control absenteeism or lateness, says Cox, nor is a formal grievance procedure available. However, workers have the usual right to appeal through the company chain of command if discipline seems too harsh. Supervisors are expected to set the attendance and punctuality standards for their subordinates. Their example, says Cox, helps create unwritten group standards, which in turn generate group pressures that induce employees to police themselves.

Poor work is treated more formally. The ineffective employee is given intensive on-the-job training to improve his output. If he fails after this effort, he is transferred to another job. If no suitable vacancy exists, his employment is terminated. No specific formula governs poor-work cases, says Cox. Some employees may be given a longer time to improve themselves than others, depending upon the nature of their work and circumstances of the case.

Attention to fundamental principles can build a sound disciplinary policy that will win employee respect and boost management's batting average at the arbitration table. The points on which to concentrate, according to leading personnel and arbitration authorities, are rule-making, communication of the rules, and enforcement. Here are some basic suggestions, many of which apply to both union and non-union companies:

When constructing rules, take into account contemporary customs. Our mores, for example, do not permit a worker to snitch on another to his foreman. A rule that requires workers to report others for minor offenses is unrealistic.

Make reasonable rules. A garnishment rule that requires a garnishee to settle his affairs in two pay periods is probably asking the impossible.

Phrase some rules euphemistically. The discharge of a worker caught taking company property has more chance of being upheld if he is charged with "unauthorized possession of company property" instead of "stealing."

When you've made a new rule, announce it, make sure everyone knows it—and be able to prove that everyone knows it. Don't forget to inform vacationers and absentees about new rules when they return. A worker who violates a rule about which he knows nothing cannot reasonably be punished.

When enforcing the rules, resist the human temptation to make exceptions. If a rule is not enforced consistently, you open yourself to a charge of favoritism.

Don't permit a rule to be violated "at the edge." Many companies permit workers to wash up five minutes before the shift's end. Workers often edge up on the wash period, quitting work six minutes, then seven minutes early. If management permits a "past practice" of this sort to develop, a crackdown has little chance of being upheld in arbitration.

Don't condone a practice that may

become a problem. Some companies permit employees to work part time for noncompetitors. If their part-time employers became competitors, your workers have divided loyalties.

Don't pad the charges against a discharged worker. If you discharge a worker for a major offense, don't "strengthen" your action by adding, "you were also a chronic absentee, had a poor attitude, and were frequently tardy." At arbitration, you'll have to prove every one of these charges. If you fail to prove them all, the worker begins to look better to the arbitrator, and the one point you can sustain may seem weak.

Document all disciplinary action. If a worker receives oral warnings, make a note of each instance, including the date. When written warnings are issued, obtain a receipt from the worker, so you can prove that he received the warning.

Problems of discipline can be prevented. Such policies as these can go far toward creating the kind of climate in which the best kind of discipline—employee self-discipline—flourishes. ♦

An Apple for the Robot

"YOU MISSED THE POINT; let me explain again," the teacher said to the student. The teacher: a robot named Mr. Atd 1.

The talkative Mr. Atd (Automatic Teaching Device), along with 53 other mechanical colleagues, teaches electronics, physics, and mathematics at the New York Institute of Technology in Manhattan, reports Gene Bylinsky in *The Wall Street Journal.* The robot is a console equipped with a screen, earphone, and rows of buttons; lessons are inscribed on magnetic tape and pictures or diagrams are flashed on the screen. The robot tests comprehension during its lectures by asking questions, which the students answer by pressing buttons. A correct answer brings a prompt "well done" from the robot.

Mr. Atd is only one of many robots now in U.S. classrooms. The machines range from simple, battery-operated $39.50 devices (for teaching multiplication tables to primary students) to complicated $4,975 Auto Tutors, which have just gone into service at Keesler Air Force Base, Miss., to teach electronics to airmen.

Although application of such devices in industry so far is limited, a number of new developments look promising. Hughes Aircraft Co., for instance, makes an instructional device called Video-Sonics, which looks like a portable TV set with earphones and is used both for training new workers and as an on-the-job aid.

More than 1,000 Video-Sonics are installed in front of workers on assembly lines of Hughes Aircraft's electronics plants at Tucson, Ariz., El Segundo and Fullerton, Calif. By flashing slides on the screens and by explaining an operation through individual earphones, Video-Sonics helps girls with step-by-step assembly of parts. The company says one result has been an 80 per cent reduction in rejected assembles. Another benefit: a sharp slash in training time for new workers.

CONSUMER SPENDING— A High Plateau

Condensed from Newsweek

THE CONSUMER has decided to catch his breath. He is still getting and spending at prodigious rates: Per capita consumer income hit an all-time high of $1,975 in the second quarter, and total consumer spending reached a record $328 billion. But the consumer's optimism about his finances and the business outlook has declined noticeably from the first quarter and from year-ago levels. More important, he has sharply curtailed his buying plans for the rest of the year.

These are the findings of the latest *Newsweek* survey of consumer buying plans, conducted by the National Industrial Conference Board and based on thousands of monthly interviews by the Philadelphia research firm of Sindlinger & Co. Taken at face value, the new figures do not offer very bright hopes for any zesty rebound in business in the second half. But neither do they indicate that a recession is around the corner.

For one thing, the spending pace in the other two great segments of the U.S. economy has been holding strong: Business' capital outlays have been running at a $37-billion rate, and second-quarter government spending (federal, state, and local) came close to $99 billion.

But there is no doubt that optimism has been on the wane. At the start of the year, according to the survey, 46 per cent of U.S. household heads thought local business was "good" and only 23 per cent rated it

"bad." At midyear, the percentage of optimists was down to 38 per cent—below previous-year levels for the first time in two years. For example, the January percentage of consumers who thought that job conditions would improve by the end of this year was 45 per cent; in June, the figure dropped to 27 per cent. And compared with 1959, hopes for more jobs in the next six months went down everywhere but in the Midwest.

According to the survey, consumer "psychology" has taken its worst buffeting among lower-income citizens. In the first quarter, it was the $10,000-and-up family that was canceling buying plans—possibly because of the tumbling stock market. Now these consumers are back on the buying side and it is the wage earner and blue-collar man, hit by long stretches without overtime or even without work at all, who is putting clamps on the family budget.

With the lone exception of new automobiles, buying plans for every category of goods measured by the survey went down for the second quarter, both from the year before and from the opening of 1960. The slowdown in spending for durables—which remained stationary at $44.2 billion during the first half (while spending for services and soft goods continued upward)—seems likely to continue.

Only Detroit gets a clear track. This June, consumer planning to buy new cars was 10 per cent higher than June, 1959. Automakers, apparently, can keep on expecting a strong six months ahead; with more than 3.6 million new cars sold through July, this year should wind up the second-best automobile year since the all-time high of 1955.

Auto dealers, however, may not fare so well. While new-car plans have hit a new high, plans for used-car purchases have dipped to a new low. In the second quarter of 1959, used-car plans were on the increase; this year, they were down 10 per cent. Compacts, still the hottest items in the new-car showrooms, were continuing to steal the used-car customers.

Appliance makers, too, will find little comfort in the consumers' attitudes. Buying plans for all nine appliances measured by the *Newsweek* survey were down. Air conditioners, dishwashers, driers, freezers, and ranges all dropped 20 per cent or more from the 1959 second quarter; refrigerators, TV sets, vacuum cleaners, and washers fell off about 10 per cent.

Some of the appliance men's woes stem from the slowdown in home-building, and the survey has produced little encouragement there. Home-buying plans hit a two-year low during the second quarter, dropping about 25 per cent from a year ago. The increases in the first quarter—when hopes were high for more employment and more mortgage money at lower interest rates—have proved only temporary. Interest rates dropped only a little, and there has been no summer flood of new mortgage money to refresh the market.

Home-builders—and home buyers—eventually will get help. Washington already has moved to loosen up the supply of lendable money (Federal Reserve discount rates have been lowered from 4 to 3 per cent), but it

may take a year before this gets translated into new houses.

What does it all add up to? With Washington, Wall Street, and the men in the boardrooms still arguing over the first year of the Golden Decade, the consumer can be pardoned his doubts. Employment might be at an all-time high of 68.5 million, but the jobless total is up to an uncomfortable 4.4 million. Production registered a record 111 on the Federal Reserve's index in January—but it has hovered just below that mark ever since, a sign of plenty of idle manufacturing capacity. Steel-company leaders, who once talked of producing 135 million tons this year, are now predicting only 115 million tons.

Yet two or three different rescue parties may already be on the way. The Administration may speed up placement of defense orders for economic, military, and political reasons; an upturn in steel or the stock market could easily give business a sizable boost. Most likely outlook: The economy will continue "stalled at a high level," with neither an upward surge nor a downward plunge. As one economist summed it up: "The bears may be in the back yard, but the wolf is nowhere near the front door." ♦

Adhesives in the Space Age

THE UNGLAMOROUS BUSINESS of sticking things together is turning out to be one of the nation's sprightliest growth industries. Up until a few years ago, reports *The New York Times*, the adhesives field consisted of a few ancient, malodorous factories that melted down cattle hoofs or fish skins to form furniture glues. Today, it is a bustling $800-million-a-year business turning out a wide range of synthetic adhesives used in building skyscrapers, missiles, automobiles, and aircraft. By supplanting nails, rivets, bolts, spot welds, and other manual methods of joining objects to one another, these space-age glues are helping create lighter products at lower labor costs.

In the field of home construction, for example, adhesives specialists are studying methods of bonding light but strong plastic panels and then, in effect, pasting a house together panel by panel. In the aircraft industry, they are working on improved adhesives for bonding structural parts and for sealing airplane wings so that fuel may be carried in the wing-space rather than in large fuel cells.

Metal-to-metal bonding also is gaining in the automobile industry, and some laboratory men are even talking of "paste-up" engines that would offer freedom of design and reduced weight. Some 1960 car models are using adhesives to hold together the outerskin and the inner support pieces, thus replacing spot welding, which occasionally mars the appearance of the body.

The adhesives scientists are also talking of paste-up watches, shoes that are glued instead of nailed and sewn, garments made of nonwoven fabrics held together by adhesives, and pleasure boats in which adhesives completely supplant screws and rivets. They are even developing improved heat- and moisture-resistant glues for holding toupees in place.

HOW ONE COMPANY IS WINNING ITS

PRIVATE WAR ON COSTS

Condensed from Steel

For one company last year, cost reduction through product redesign accounted for $1 of every $3 of net profit. Other cost-cutting methods—overhead control, decentralization of facilities, scrap and rework incentive plans, smart purchasing, and automation—resulted in additional profits. And part of the company's savings were passed along to customers in lower prices and better product quality.

The company is Emerson Electric Mfg. Co., St. Louis. Its private war on costs has been going on for the past five years, with the ratio of savings to net profits rising each year. To find out how other companies could benefit from Emerson's experience, *Steel* editors made a first-hand investigation. Here is their report:

In its search for products to redesign, Emerson uses two guideposts: a product's unit sales volume, and the time that has passed since the product was last redesigned. The rule of thumb, according to John Repp, Emerson's value analysis chief: "If it's been made the same way for more than two years, you can probably find a new way to make it cheaper and better."

Redesigning even seemingly insignificant parts can help. For example, a ball retainer in a power tool was made from a stamping and two forgings. The switch to diecasting cut the cost by 79 per cent. And a change from die-formed aluminum to plastic on a cover for controls slashed the cost per piece by 70 per cent and improved appearance.

Setting a cost-reduction goal takes teamwork—and perhaps the use of a crystal ball. Each summer, at an executive planning session, the company sets a corporate dollar target for cost reduction. It is based on forecasts of material and labor costs for the coming year, product price trends, an analysis of the competitive situation, and forecasts of each product's sales volume. Then the over-all goal is translated into dollar cost reduction targets for specific products. Sometimes it isn't possible to trim a product's cost and maintain all its features. When that problem arises, the sales department is consulted: Does it want to keep the feature and raise the price, or lose the feature and lower the price?

The dollar cost-reduction target is communicated to engineering, manufacturing, and purchasing. Each department attacks the problem; production workers, too, are fully briefed on the problem and asked to contribute ideas.

Fven people outside the company

can help. "Make the supplier your partner," says W. L. Davis, vice president—engineering. For example, Emerson relayed its dollar cost-reduction target on a product to a tubing supplier. The supplier helped to eliminate six parts—which cut into his sales. "But since he helped us to improve product quality and cut costs, his business with us will increase," Mr. Davis notes.

Another aspect of the Emerson cost war is decentralization of manufacturing facilities. The company's three reasons for decentralizing: lower labor costs (several of the firm's nine plants are located in the South); integration of all phases of a particular production operation under one roof; and the relative ease of establishing new manufacturing techniques in a new plant as compared to an old one.

The new plants have permitted the company to apply the "islands of automation" concept. When one kind of product—an electric motor, for example—must be made to many different specifications, a fully automated assembly line is seldom feasible. So the company separates those parts of the operation that are common to several of the motors. Then the volume of these parts justifies automation. Parts are fed from the islands into the appropriate central assembly line. For instance, one man in an island operates several machines turning out motorshafts. The job had been done on two lines by three men.

Overhead control must be constantly maintained, too. Every department in the company's Commercial Products Div. has a dollar target for overhead costs, computed as a percentage of the direct labor costs. The over-all dollar figure is then broken down into monthly dollar figures for each overhead item. The department head must operate his area at or below that cost each month. This system keeps the managers aware of all cost items and gives them a good basis for trimming.

To lower scrap costs, Emerson has set up an incentive bonus plan for production workers. Targets are established for scrap generation, corrective work, and labor variation. If the employees' performance is below the target (for the sum of the three factors), the employees receive 50 per cent of the savings. Complementing this, an incentive bonus committee — composed of representatives from inspection, manufacturing, personnel, and line supervision, plus the production superintendent and the shop stewards—meets monthly to find ways of overcoming unusual scrap expenses.

Smart purchasing is another route to cost reduction. "Don't automatically buy what the engineers specify; always check for equivalent items," proposes L. A. Dahlheimer, director of purchases. Example: He's buying a steel that costs $9 a ton less than the type that was originally specified, but it machines just as easily and performs the function just as well. "Always be on the lookout for a new item," he adds. "We talk to every sales representative that calls, in the hope that he can save us money or give us better quality."

One final reason for the success of Emerson's cost reduction efforts: four "status disturbing" groups keep executives alert. They are:

Junior management board. Composed of middle managers who are elected for two-year terms, this group meets after hours once each month to consider corporate problems. It reports directly to the president and has "congressional immunity." Its primary function is to train middle managers to analyze top-management problems. Sometimes, they go beyond the training stage and originate corporate programs. Since no area is sacred to the board, it serves to keep vice presidents on their toes.

Salaried advisory board. Representatives from Emerson's 12 office areas work on such projects as parking facilities, lighting, noise, and systems, and write reports to the president.

Foremen's advisory board. Made up of elected representatives of the shop foremen, this group tackles problems of "firing line" operations.

Management advisory council. The company officers and department heads meet for dinner once each month to investigate, review, and analyze corporate cost objectives. ♦

Higher Salary for the Right Man

"A YEAR AGO, we were scattering job résumés like buckshot and getting only an occasional answer. Now, suddenly, companies are coming to us." This is how the head of one Midwest technical employment agency describes the current job market. And, according to *Business Week* reporters who checked with state employment officials, private job-placement agencies, and top personnel executives around the country, the salary outlook is much brighter today. Specifically:

• Starting wages are up, especially for technical and professional people, as well as for those in sales and marketing. Competent secretaries and stenographers, too, are getting a better break in starting salaries. But male white-collar office workers aren't doing too well.

• Middle-management salaries are rising, but not so sharply as salaries at lower levels. However, employers are making up for this by improvements in fringe benefits—better insurance protection, pensions, expense allowances, the use of a company car.

• The rate of increase in salaries continues to parallel that of blue-collar wages.

The most noticeable increases, say personnel experts, are among the starting salaries for college graduates and for professional placements. A Ph.D. engineer can start at $900 a month in Cleveland, for example, as against $775 last year. Mechanical engineers pull down $525 to $550 to start, against $500 a year ago. In St. Louis, employment agencies report engineers' salaries, especially those of electrical engineers, are moving up, ahead of the pack. Starting salaries average around $500 a month, and some graduates report new offers at $600.

Membership in Outside Organizations:

A Survey of Company Practices

By J. Roger O'Meara
Condensed from Management Record

WHEN AN EMPLOYEE joins a technical or professional organization, the rewards may very well be double-barrelled ones, for both the employee and the company stand to gain. The engineer, for example, who joins a professional society will undoubtedly keep up with the latest developments —which, in turn, may help him win a promotion. But the ideas that he carries back to the job can also contribute to his company's progress.

Similarly, the salesman who joins a social club may meet many prospective customers, and later make more sales and earn higher commissions. But these additional sales certainly add to company profits.

For these and other reasons, a number of companies now encourage —and even require—some of their employees to join various professional, trade, civic, and social organizations. When this happens, of course, there are initiation fees, annual dues, and other expenses. Who pays for them—the employees or the company?

Many companies, it seems, base their answer to this question on the facts in each particular case. Few companies have corporate policy

statements saying just how far they'll go in sponsoring employee memberships. But those statements that do exist: (1) specify types of organizations employees can join, (2) spell out which groups of employees will receive company help, and (3) state exactly how far the companies are willing to go in paying membership expenses.

There are four kinds of organization that management is usually concerned with:

1. *Technical and Professional Societies.* With science advancing rapidly, more and more companies are encouraging their engineers, chemists, and other technical employees to join professional societies. Sometimes, the company urges its technical employees to join a specific society or the "leading" society of their profession. Other times, they allow more latitude. One company distributes a list of acceptable societies to all department heads, but points out that "this list is illustrative and not controlling."

Employee activity in professional societies can help a company in many ways. As members, employees may be able to promote the company by reading—and possibly publishing—papers about company activities. Or, by listening to the papers of other members, employees can learn of the progress being made elsewhere.

Employee members also receive copies of the magazines, reports, and other publications that technical societies put out. These publications can be routed to nonmember employees and can also be added to the company's technical library.

2. *Trade Associations.* Employee representation in trade associations can have several advantages: It can have public relations value, and it can help keep the company informed of new advances in marketing, personnel, manufacturing, finance, labor, processing, and other areas. Association trade shows also give the company a chance to display its products before interested audiences.

3. *Civic Groups.* Companies seem to be growing steadily more community conscious. An increasing number of them encourage their employees to join various civic groups like Rotary and Kiwanis clubs, the Lions, the Elks, Chamber of Commerce, etc. A few firms, in fact, have even spelled out such encouragement in a policy statement. Here is a sample: "All employees are encouraged to take part in civic activities as individual time and inclination dictate. Individuals who assume civic responsibility increase their list of friends and develop leadership, which reflects creditably upon the company's place in the community."

4. *Social Clubs.* The subject of employee membership in social clubs is seldom included in a policy statement. When it is, the statement is likely to say no more than: "It shall be the policy of the company to provide for memberships in clubs through an annual budget approved by the chairman." But this does not mean that companies discourage employee membership in social clubs for business purposes. On the contrary, a Conference Board survey of forty companies revealed that twenty-five of them actually are paying for memberships in country, athletic, and

downtown dining clubs for selected executive employees. Some of these companies go as far as requiring their top executives and sales managers to join. Five companies with multiplant operations include their plant managers among those required to join, for reasons of community relations. Many other companies that provide social club memberships, however, leave the decision to join to the executives themselves.

The type of organization an employee joins often dictates whether or not a company will pay the expenses involved. Of twenty procedure statements that deal with such payments, only two are broad enough to apply to all types of organizations. The statements of 17 companies deal specifically with professional or technical societies.

One company considers payment of such membership expenses the "personal responsibility" of its engineers, while seven pay the full cost if proper approvals are secured. Three companies urge technical employees to join one professional society at their own expense, but promise to pay the cost if the men join others in connection with their work. Two companies pay only when management requests or requires employees to join, and two companies pay the membership expense only when the memberships are maintained in the company's name.

In the remaining two firms of the seventeen whose procedure statements deal specifically with paying for employee memberships in professional or technical societies, payments depend upon the origin of the membership requests. If the company requests an employee to join a professional society, it pays all membership costs; if membership is the employee's own idea and is approved by the company, then the company pays part.

Trade association expenses are handled slightly differently. Of the 20 companies examined, 14 underwrite all or part of employees' membership expenses in trade associations. Two of these 14 pay part of the expenses, while the other twelve pay all of it—provided certain requirements are met. Three companies, for example, will pay only when they request the employees to join; another three will pay only when the memberships are maintained in the name of the company and are assigned to designated employees. Membership expenses in the other six companies are paid only if the memberships are approved before they are taken out—and if the company can expect some benefits in return.

In the case of civic groups, only half of the twenty companies examined pay for all or part of employee membership expenses. Only one of these pays for part of such expenses; three of them pay the full cost if the memberships are properly approved and likely to benefit the company; and the remaining six pay all—but only when memberships are sponsored by the company and held by chosen representatives.

As for social clubs, only four of the 20 companies examined have written procedure statements that cover the payment of employee expenses.

One pays the full cost of company-requested memberships plus 50 per

cent of the dues of employee-initiated memberships in approved organizations. One "encourages executives to join clubs" and allows them—subject to approval of the president—to charge expenses to the company where the expenses serve the company's best interests. The third firm pays "reasonable expenses," and the fourth provides for memberships through an annual budget approved by the chairman.

Like other business expenses, company payments for employee memberships can get out of hand without proper control. To provide such control, the majority of companies require that final approval of all company-sponsored memberships come from the division general-manager level. Several companies control membership payments via an annual budget. And a few others use a watchdog committee to supervise membership payments on a company-wide basis. In one company, this group is known as the "interdepartmental coordination committee on memberships and attendance at conventions." Here, the committee secretary keeps a record of all company memberships, and the committeemen see that there are not too many memberships in any one organization, that the memberships are properly distributed among the departments that could profit from them, and that there is coordination where more than one department supports an organization. ♦

A Man's Job—and His Outlook

AUTOMATION won't create as great a mental health problem for the industrial worker as some psychiatrists have suggested, according to a new survey conducted by the Joint Commission on Mental Illness and Health, and reported in the *New York Herald Tribune*.

Men who work at machine jobs have causes other than mechanization for being dissatisfied with their employment. They are likely to be concerned with wages, job security, and working conditions.

As a rule, the blue-collar worker doesn't concern himself with what the psychologists call "ego satisfactions"—those job factors that involve him emotionally in his job and that depend on variety and interest. It is the highly educated man in the high-status position who seeks these satisfactions from his work. In this group, about one of every four complaints about the job comes from ego dissatisfactions. Put such a man in an automatic factory, and you're probably creating mental stress.

These high-status workers—professionals, managers, technicians, and proprietors—tend to be the most satisfied people in the industrial community. Unskilled and clerical workers tend to be the least satisfied. These findings parallel those on happiness; as you go down the scale on skills, happiness also declines.

But this doesn't mean that high-status employees don't have work problems. They have them more than the least satisfied employees. Since they seem to go after ego satisfactions on the job more than other workers, they have more problems in reaching them.

BRIEF SUMMARIES *of other timely articles*

GENERAL

THE LOGISTICS OF DISTRIBUTION. By John F. Magee. *Harvard Business Review* (Soldiers Field, Boston 63, Mass.), July-August, 1960. Reprints $1.00. Physical distribution costs constitute the third largest cost of all business operation—and, together with current trends (e.g., the proliferation of product lines) are stimulating companies to redesign distribution systems. The choice of system each company makes will have a significant impact on product design, plant investment, and organization. Giving special attention to the implications of technological advances for policy, the author takes up problems of getting started with a new look at a company's system and recommends steps to take in making a good distribution study.

THE CONSUMER AND THE NEW BUSINESS CYCLE. Published by The Foundation for Research on Human Behavior (Ann Arbor, Mich.). $2.00. This report of a meeting of economists and market researchers reviews findings of a recent survey of consumer attitudes, discusses their implications for the economy in the near future, and evaluates the changing nature of the business cycle, with particular reference to the increasingly important role of consumers. It sheds light on the "economics of expectation," particularly the aspect that involves tapping consumer, government, and business plans as early as they take formal shape and following up with continued tapping to allow for changes in plans.

IN-BASKET BUSINESS GAME. By Andrew A. Daly. *Journal of the American Society of Training Directors* (330 West 42 Street, New York 36, N.Y.), August, 1960. $1.00. Another example of management simulation, the "In-Basket" business game confronts the individual being tested with reports, memoranda, letters, and other types of action material—all prepared to set up a realistic operating situation presenting problems of varying degrees of complexity. This article gives examples of the material and explains the instructions and procedures involved, from the beginning of the test to the critique; the latter is the important element in the training process, for, although participants generally feel satisfied with their individual solutions, discussion reveals that some have considered only some of the factors they should have taken into account.

ACQUISITION OF SUBSIDIARY COMPANIES. By Joseph N. Mitchell. *Best's Insurance News—Life Edition* (75 Fulton Street, New York 38, N.Y.), August, 1960. 50 cents. The company planning the acquisition of a subsidiary must keep in mind the varying habits, customs, and economies of people from different areas. Drawing on his company's experience in acquiring four subsidiaries, the author recommends these measures: (1) keep the acquisition news quiet until all legal steps are completed; (2) tell the story in terms of profit to everyone connected with the acquisition; (3) retain the identity and per-

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sonnel of the subsidiary, but provide financial assistance and additional facilities; (4) set up incentives for the new staffs; and (5) stress good will and provide for good communications between home office and subsidiary.

SURVEY OF CURRENT BUSINESS. U.S. Department of Commerce (Superintendent of Documents, U.S. Government Printing Office, Washington 25, D.C.), July, 1960. 30 cents. Divided into five parts, this issue presents statistics on the current business situation, revealing profits up in the first quarter of 1960; tables on national income and product accounts, including foreign transactions and income and employment by industry; new and revised statistical series showing public and private debt as well as cash dividend payments publicly reported; and a breakdown of monthly business statistics by general business indicators and by industry for the period from May 1959 through June 1960.

AGING AND INCOME SECURITY. By Margaret S. Gordon. Published by the Institute of Industrial Relations (201 California Hall, University of California, Berkeley 4, Calif.). Reprints 20 cents. Economic security for older people must be sought not only through income-security measures, but also through a preventive approach directing attention to the social and economic adjustments associated with aging, according to this 52-page pamphlet. It explores income adequacy and dependency within the aged population, old-age security programs, and proposals aimed at giving more adequate protection. Numerous tables on population, labor force, and income by age group are provided.

OFFICE

FACTS YOU SHOULD KNOW ABOUT PAPER. By Doris Williams Vaughn. *The Office* (232 Madison Avenue, New York 16, N.Y.), June, 1960. 50 cents. A basic understanding of weights, sizes, qualities, and finishes of office papers will enable you to obtain the best service and end product at the most economical price without sacrificing quality. In this practical discussion of various kinds of paper, the author explains basis weight (weight of 500 sheets of 17" x 22" bond paper) and how it varies from airmail to prestige stationery, as well as the quality (sulphite, sulphate, rag content) that is best for various purposes—such as insurance policies, legal documents, or wrapping paper.

WHAT TO DO ABOUT THOSE BUSINESS RECORDS? By Ruth G. Frost. *Textile World* (330 West 42 Street, New York 36, N.Y.), August, 1960. $1.00. Which records should you keep? How long? To answer these questions, the author recommends that you look into: (1) the time limit set by government requirements for keeping certain records and the laws limiting the period during which you are liable to legal proceedings; (2) records that are indispensable; (3) historical records (i.e., records of company experiences that would serve as benchmarks for decision-making); and (4) time limits for each category (how long in active office files, how long in storage, and the over-all retention time).

OFFICE PRODUCTIVITY—NEW PATH TO PROFITS. By Thomas Kenny. *Dun's Review and Modern Industry* (99 Church Street, New York 8, N.Y.), September, 1960. 75 cents. What are today's top executives doing to sharpen clerical operations, cut office costs, and control paper work? Results of a recent survey of 275 companies provide answers to this question that shed light on office organization, specific techniques that increase productivity in the office, trends in office technology, and the trend toward designing the office to increase efficiency. Illustrative case stories are provided.

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PRODUCTION

HOW TO PREPARE FOR PLANT STARTUPS IN THE CHEMICAL INDUSTRIES. By J. E. Troyan. *Chemical Engineering* (330 West 42 Street, New York 36, N.Y.). September 5, 1960. 75 cents. Although much has been written about the responsibility of "project manager" for a new product or process, the plant startup period has received only nominal treatment, according to the author. Emphasizing techniques for facilitating startup from the operating point of view, he discusses the following steps, particularly as they apply to the chemical process industries: (1) organizing—general planning and scheduling, (2) personnel recruiting and development of organization, (3) review of engineering design, (4) preparation of operating manuals, (5) training programs, (6) construction follow-up, (7) pre-startup activities, and (8) major phases of initial operations.

SPECIAL FASTENERS. *Iron Age* (Chestnut and 56th Streets, Philadelphia 39, Pa.), August 25, 1960. 25 cents. The fourth in a series on how to get more for your metalworking dollar, this article discusses various types of special fasteners and their advantages—from higher fastening strength and locking action to control of vibration and sealing quality—over more conventional types. Special fasteners cost more than conventional ones, but reduce assembly costs, particularly for the firm turning out items in heavy quantity or building a quality product. Information on the types available and how they are used is liberally illustrated by drawings and photographs.

PACE—A NEW INDUSTRIAL ENGINEERING TECHNIQUE FOR MANAGEMENT. By D. N. Petersen. *The Journal of Industrial Engineering* (32 West 40 Street, New York 18, N.Y.), July-August, 1960. $2.50. Pace—the acronym for Performance and Cost Evaluation—is an analytical, statistical system developed by Northrop Corporation for measuring group effectiveness in performing an assigned task, and, according to the author, it can readily be applied to any organization in which performance and production are not geared to either heavy automation or rigid assembly-line techniques. Its most important aspect, he says, is its value in spotting defective areas immediately and bringing these facts to the attention of the appropriate persons in management.

MARKETING

A BASIC GUIDE TO PREPARING BETTER SALES LITERATURE. By Lyndon E. Pratt. *Industrial Marketing* (200 East Illinois Street, Chicago 11, Ill.), August, 1960. 50 cents. Is industrial promotional literature in a sorry state? The author, who thinks it is, recommends that promotion men do two things for improving it: (1) visualize material from the prospect's viewpoint, and (2) strive for simplicity and clarity in writing by keeping a sharp eye on the ultimate purpose and a heavy pencil on superfluous adjectives, phrases, and clauses. He deals in turn with various kinds of promotional material—spec. sheets, color brochures, product bulletins, and condensed and general catalogues.

LEASED, COMPANY CAR, OR EMPLOYEE-OWNED? By A. E. Fitzpatrick. *Sales Management* (630 Third Avenue, New York 17, N.Y.), August 5, 1960. 50 cents. There is no one answer that holds true for all companies on the question of whether to have leased, company-owned, or employee-owned cars, and even the best plan for any

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particular company usually has some drawbacks. This discussion of the conditions under which each plan will generally work best reveals that many of the points for leasing and company ownership are the same—for, unlike individual employee ownership, they have few separate and distinct disadvantages. A check list poses 25 questions about sales car operation that every sales manager should be able to answer; every answer that is not known could be hiding an unnecessary money loss.

THE 100 LARGEST NATIONAL ADVERTISERS. *Advertising Age* (630 Third Avenue, New York 17, N.Y.), August 29, 1960. $1.00. A unique collection of facts about the marketing operations of the nation's advertising giants, this article offers information on what they spend on advertising, how they're doing in sales and profits, how their leading product lines and brands rank nationally, what share of the market they capture, and many other vital details. The details include listings of each company's sales and advertising executives, the agency line-up, and a rundown of account executives serving the various products and divisions. Much of the material has never been published before, including estimates of total advertising and promotional expenditures for the 100 advertisers and sales figures for various privately owned companies on the list.

YOUR GUIDE TO THE NEW INDUSTRIAL MARKETS. By Thomas Kenny. *Dun's Review and Modern Industry* (Readers' Service Department, 99 Church Street, New York 8, N.Y.), July, 1960. Reprints 15 cents. An analysis of statistics from the new U.S. Census of Manufactures shows that in the entire national industrial market, five out of every six dollars of value added by manufacture are centered in 100 top industrial areas, which are shown on a map. Each of the unified areas on the map can be served by one sales office or industrial distributor, and each is identified by the central city in that particular market. This guide can be used to compare sales results with buying potential, to revise outmoded sales territories, to prepare 1961 sales forecasts, and to discover new growth markets previously overlooked.

RESEARCH AND DEVELOPMENT

MIDDLE MANAGEMENT OF RESEARCH AND DEVELOPMENT. By M. T. O'Shaughnessy. *Research Management* (100 Park Avenue, New York 17, N.Y.), Summer, 1960. $2.00. An analysis of middle management's function in organized research and development, this article deals not only with problems relating to the planning and direction of a technical program, but also with the middle manager's relationships with creative technical personnel. Stressing over-all effectiveness of an R & D unit rather than day-to-day efficiency, the author calls for reflection, self-criticism, and learning from the experience of others on the part of the middle manager who works with research and development personnel.

HOW TO COPE WITH INFORMATION. By Francis Bello. *Fortune* (Time and Life Building, Rockefeller Center, New York 20, N.Y.), Sept., 1960. $1.25. Mankind is learning things so fast that it's a problem to store information so it can be found when needed—and not finding it costs the U.S. over $1 billion a year. "Information retrieval" is the new phrase for indexing and filing documents by machine so that information is speedily available, and several of the methods —mechanical, photographic, and electronic—that it encompasses are explained in this article. One, the Kodak Minicard, reduces document pages to one-sixtieth of actual size, and carries a black-and-white photographic code embodying brief abstracts of the contents of the pages.

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Overseas Operations

(*Continued from page 8*)

so-called underdeveloped countries, good local partners are seldom as scarce as they are alleged to be. To select the right one, however, a thorough on-the-spot investigation is invariably required. This is definitely not something that can be left to the local manager of some stateside bank, your company's local agent or distributor, or your local attorney.

CONTROL AND PROTECTION OF INVESTMENT

Any decision to include local partners in the enterprise raises the problems of control, management, and protection of investment. Primarily because of this problem, the use of local partners in overseas ventures was a distinct rarity five years ago. Even if an American company had been so bold as to attempt such a step, it almost invariably arranged to hold at least 51 per cent of the stock. Even today, of course, there are often a number of excellent and compelling reasons why it is well to follow a similar program of prudence. The directors of an American company are quite naturally going to be reluctant to make a substantial dollar investment in some foreign venture that will be under the management and control of a group of foreigners—often individuals with whom the American company is not too well acquainted. Moreover, the success of a majority of overseas investments will probably depend in large measure on the technical and managerial help to be supplied by the U.S. partner and, therefore, he should be in a position to exercise a high degree of control, at least over this aspect of the business.

On the other hand, there will often be situations where the local partners are willing to risk more than the U.S. investor, and the U.S. company's investment, although major, will still not be sufficient to warrant a majority stock interest. Take, for example, a $20 million investment, which is to have equal debt and equity financing, and in which the U.S. investor is only willing or able to invest $2.5 million. Such an investment, while serious and substantial, would only entitle the U.S. company to a 25 per cent stock interest in the overseas manufacturing entity. Before they approve this investment, the directors of the U.S. company will want to be

satisfied that it will be adequately protected, and there are several ways that this problem can be approached.

Charter Provisions

Providing for the protection of minority interests in the corporate charter is perhaps the most common method. Under this approach, the charter or articles of incorporation are drafted to forbid action by stockholders or directors, as the case may be, unless a specified majority (usually ⅔ or ¾) approves the action. In this manner, a minority stockholder with 34 or 26 per cent of the total votes can be protected against certain specific actions by the majority. Such control, however, is obviously of a negative or veto nature, and the great majority of the powers and prerogatives of management must necessarily remain under the control of the majority.

Where this kind of control is provided through restrictions on the action of stockholders, it is, of course, also necessary to protect the minority interest against dilution through provisions for pre-emptive rights to purchase a pro-rata share of any additional issuance of stock. Where control of this type is provided through restrictions on action by the directors, it is necessary to devise a legal method whereby stockholders may elect a number of directors proportional to the amount of stock held. If the country in question does not permit cumulative holding, it may be possible to provide in the charter that certain stockholders may appoint a minimum number of directors, or that the stock may be divided into classes, with each class being able to elect or appoint a specified number of directors.

Finally, in order to make effective use of reserved powers of this type, it is advisable to provide in the articles that an agenda shall be circulated well in advance of all meetings, and that no matter can be voted upon unless it is specified in the agenda.

Fifty-Fifty Investment

In a situation where the U.S. investor wants to have an interest of a substantial size but not, for political or other reasons, to hold a majority interest, an acceptable alternate may be to divide voting control on a fifty-fifty basis. A 50 per cent investor has considerably more effective strength than one holding even a 49 per cent interest, in the absence of protective charter provisions.

If there are a number of foreign investors, the 50 per cent interest provides almost certain affirmative control without the stigma that attaches itself to 51 per cent "foreign controlled" companies. On the other hand, however, if there is only one foreign partner involved, a fifty-fifty arrangement does present the problem (or blessing) of having to obtain unanimous consent for all major decisions. In at least one jurisdiction (France), the company could be subject to liquidation and distribution of its assets to its two partners if they could not agree for some period of time.

Managing Agent Contract

This is a device that is very popular in the Philippines, India, and other Asiatic countries, although it is often used in other areas as well—West Africa being one example, and our own 50th state of Hawaii another.

"I want to become a polyglot."

The managing agent, who may or may not invest in the managed company, conducts the business and selects the executives for the managed company. The degree of control by the managing agent is specified in the contract with the managed company, and the authority retained by the board of directors or stockholder of the managed company may be very slight.

The managing agent usually receives reimbursement of costs plus a specified percentage of the profits of the managed company. In recent years, there has been legislation in some countries sharply restricting the powers and remuneration of managing agents because of abuses that had arisen under the system during the previous colonial regimes.

Joint Holding Companies

A holding company can also be used to protect the interest of minority investors. By pooling in the holding company the interests of two or more investors in the project, the total interest of the holding company can be made sufficiently large to constitute a controlling interest in the operating company.

This device is especially useful if the interest of the U.S. investor is so small that protective charter provisions do not offer a practical solution. The joint holding company, being a unity of several interests, can permit the small investor to obtain greater protection. In fact, a U.S. investor who has more than 50 per cent of the joint holding company can, through this pyramiding device, substantially increase its control in the project.

The joint holding company is a more sophisticated device for exercising control, and its more complex form presents certain pitfalls. From the U.S. tax point of view, the U.S. investor must own at least 50 per cent of the joint holding company to preserve its foreign tax credit. Care must also be taken with regard to currency transactions and to avoid unnecessary foreign taxes that might be imposed on the holding company.

Irrevocable Proxies

Another way of accomplishing a unity of interest is the irrevocable proxy. This is necessarily a shorter-term proposition than the joint holding company, and in many civil law countries such proxies must

be publicly acknowledged before a notary to be legally binding. The difficulty of enforcing these proxies limit their effectiveness in protecting a minority investment.

Other Approaches

There is one other more subtle and often more effective way for a U.S. company to protect, or at least to hedge, its investment in overseas manufacturing facilities. This is by entering into long-term contracts to supply technical assistance and/or raw materials to the new enterprise at the time it is initially organized. While contracts of this type, representing as they do special or "side" benefits to the U.S. investor, may be viewed with suspicion in the foreign country, the technical know-how and raw materials supplied by the investor can be as valuable to the enterprise as his investment.

From the viewpoint of the U.S. partner who manufactures the basic raw materials required to conduct the foreign manufacturing operation, a long-term supply contract, executed on an arm's-length basis at a competitive price, can be an extremely valuable asset of the overseas venture. Furthermore, in the case of technical assistance, unless a firm contract covering this type of service is entered into at the time the venture is organized, the U.S. partner will often find himself sending a steady stream of engineers and technicians to the foreign country at his own out-of-pocket expense. Both in the case of technical assistance and raw material supply, the profits from such agreements can represent increased payout to the U.S. company, and they may serve to justify investment that would not be otherwise undertaken because of the high risk involved. Assuming the venture is even moderately successful, both types of agreements represent a more certain source of income than dividends, for they should be payable, regardless of profits, in good years and bad. Finally, under such agreements, it is often easier to provide that all payments shall be in U.S. dollars than it is to guarantee that dividends, in all circumstances, will be fully convertible.

ESTABLISHING A LOCAL COMPANY

Assuming that the U.S. investor has decided to go ahead and establish a manufacturing base in a specific foreign country and to invite local capital to participate, the next question, logically and

inevitably, is "How should we go about it?" In most cases, the preferable procedure calls for the prompt formation of a company under the laws of the foreign country. This is particularly true in those situations where (1) one or more local partners are to be included; (2) the foreign government must approve the project as a whole or some portion of it; and/or (3) debt financing from one or more lending institutions is to be sought. For one thing, the existence of such a company, representing the joint enterprise, makes it possible for each of several partners to equalize and adjust their contributions. The new company will also be in a position to take over concessions, options, applications, purchase orders, and other like assets held by the individual partners. The existence of a legal entity, with a descriptive name and respectable sponsorship, makes it much easier for all concerned to deal with the government, with foreign and international lending institutions, and with other third parties. Finally, with respect to the U.S. investor's problems back home, the existence of a separate accounting entity makes it easier to keep track of and account for all expenses attributable to the project. The president, treasurer, or general manager of the U.S. investor can, by reviewing the entity's financial statements, see what the project is costing, including the cost of those "hidden expenses" that otherwise would be buried in corporate overhead.

For such reasons, it is usually advisable to form a local company early, looking upon it initially as an "interim" or "study" company. At the start, it is well to capitalize this company for as little as the local law will allow (often under $2,000), and to finance its infancy by means of advances from the founding partners.

THE OPERATIONAL PHASE

If the project is able to survive this organization and planning stage and move into the operational phase, the study company can be reorganized and its capital can be increased. At the time of this reorganization, advances made by the partners can be converted into equity interests, if this step seems advisable under the then existing circumstances. If, however, the study company is not successful and the project is ultimately abandoned, the advances can be written off by the founding partners as bad debts (assuming that a proper debt-equity ratio has been maintained). This procedure, therefore, per-

mits the U.S. investor to adopt a middle course and to delay for a while the difficult decision as to whether to "expense or capitalize."

There may be, of course, situations where such advances will be left on the books of the operating company at the time of reorganization and expansion because the U.S. company may consider it preferable to have a substantial portion of its investment in the form of debt rather than equity. One of the reasons for this could be that dividends will probably be subject to taxation, both in the country of issuance and the country of receipt, while there is usually no tax on the servicing of foreign debts. Also, in the case of a moderately successful venture, debts can often be paid off much more rapidly and systematically than the same amount can be returned in the form of dividends. Finally, in underdeveloped countries, a U.S. investor can often minimize or even avoid currency convertibility problems by having the bulk of its investment in the form of loans rather than equity. This is because it is usually much easier to specify that the repayment of loans must be in dollars than it is to arrange for any type of reliable assurance that the payment of dividends will always be convertible into dollars.

The prompt formation of a company under local law to represent the project makes as much sense from a tax standpoint as it does from an over-all business viewpoint. Such a company usually does not incur any tax disadvantage over other alternative forms of business organization (e.g., a branch office or a locally qualified subsidiary of the U.S. parent), and it may enjoy some advantages. The company incorporated under the laws of the foreign country can defer all U.S. taxes until its foreign income is repatriated in the form of dividends to the U.S. parent. Secondly, because of the working of the foreign tax credit and the fact that corporate tax rates abroad are usually lower than they are in the United States, the combined foreign and domestic taxes on income earned abroad will normally be less than the standard 52 per cent rate applicable to U.S. corporations generally.

JOINT VENTURES AND ANTITRUST LAWS

The ever-increasing enthusiasm with which the Justice Department of the United States is discharging its responsibility to enforce our antitrust laws makes it impossible to embark on any joint-venture

program overseas without considering what position the Department is likely to take. Usually, a U.S. company will find the most promising candidates for partners with whom to embark on a joint manufacturing venture overseas among the members of the same industry (a) located in the local country, (b) located in other foreign countries, or (c) located in the United States. This immediately presents several obvious antitrust problems relating to sales by each partner to and from the country where the new enterprise is to be located. While the law relating to the foreign aspects of antitrust is even less clear than the domestic antitrust law, it is probably a fair statement to say that it is safe to embark on joint ventures with foreign partners as long as there are no agreements to divide territories and the effect of such ventures involves no serious impact on imports or exports from the United States. Like most fair statements about the tax laws, however, it is likely to be of little help in specific situations.

PROBLEMS AND REWARDS

In addition to the problems briefly discussed above, there are, of course, myriads of other problems that will be encountered by the U.S. businessman who ventures out into the world and attempts to do business with new people in distant lands. When launching a joint manufacturing venture in Patagonia or Madagascar, the U.S. investor will face all the problems that he would have in inaugurating the same business in Tacoma, Tampa, or Toledo. In addition, he will often be faced with such additional problems as a different language, a different system of law, and methods of doing business based on entirely different customs and principles.

This adds up to the rather obvious fact that establishing a business abroad usually turns out to be somewhat more difficult than at home. On the other hand, the rewards overseas are often greater, and this can more than compensate for the added effort. The rush of U. S. companies overseas during the past few years makes it clear that this particular lesson is becoming more widely recognized. ♦

TO BE ALIVE at all involves some risk.

—Harold Macmillan

Managers in Wonderland

(*Continued from page* 13)

zational climate and the very essence of development—the concept of liberation of latent qualities. Obviously, liberation is going to be increasingly difficult as the organizational climate becomes increasingly control-centered.

In a rigidly controlled climate, managers are asked to use only a scattering of their abilities. There is little need, generally speaking, for creativity, flexibility, understanding, and the like, and behavior is generally frozen into accepted patterns. In such a climate, experimentation, which is the heart of real learning, becomes dangerously inimical to career progression. It would seem futile indeed to attempt a program of "development" in an organization in which development could lead only to the disaster of nonconformity.

Difficulties of Self-Development

> *"Come, there's no use crying like that!" said Alice to herself rather sharply; "I advise you to leave off this minute!" She generally gave herself very good advice (though she very seldom followed it) . . .*

Another basic contradiction is inherent in the idea that management development is self-development. It's true that no one can develop or enlarge us; we must do it ourselves. But this is not the whole story. The concept of self-development has been recognized for many years, but managers have not always expanded to the limits of self-realization. Obviously, development must be self-development, but something must inspire the process. Development must be stimulated by providing, in addition to evaluation (or perhaps even in lieu of evaluation), the catalysts that are conducive to individual growth.

Men do not grow, nor do they feel the inclination to grow, while under surveillance. The climate of growth is, of necessity, a permissive climate, in the sense that men are comparatively free to experiment without being too rigidly circumscribed by rule, regulation, policy, and procedure. It is a climate in which a certain number

of mistakes are not only tolerated but expected, on the assumption that some mistakes are essential to progress. It is a climate that is based on the premise that accomplishment in itself is a reward more worthwhile than any external reward or punishment.

Learning—Total or Partial?

> *"And how many hours a day did you do lessons?" said Alice. "Ten hours the first day," said the Mock Turtle; "nine the next, and so on . . ."*
>
> *"That's the reason they're called lessons," the Gryphon remarked; "because they lessen from day to day."*

Another major catalytic element is the use of dynamic learning experiences, tailored to the realities of the organization. Many organizations begin a management-development program with great fanfare and enthusiasm, sending men to university courses or inaugurating courses on various subjects within the company itself. But all too often, the work so nobly begun peters out ingloriously and, like the Mock Turtle's lessons, the learning process is increasingly neglected in the pressures of day-to-day business. Management development cannot be a one-shot affair; it must be a continuing part of the company's operations.

Equally important, however, is the type of learning experiences that are provided. If growth is, at least in part, the liberation of the individual's latent capabilities, the company must provide means by which this liberation can take place. Rigid policies, detailed procedures, voluminous reporting systems, and similar control concepts can be unnecessarily restricting, and many of them could well be diminished or eliminated without endangering the profit position of the organization. But this, in itself, may not be enough; individuals accustomed to working in a framework of tradition and habit may not be prepared to use the freedoms so acquired. They may never have an opportunity to examine their new freedoms analytically—and to experiment with the revised types of behavior that may be appropriate in a less constricted organizational climate. The necessity to conform can be imposed from without, but the ability to act under freedom must be learned.

To this end, some companies—among them, Esso Standard Oil, Pacific Finance Corporation, and Aerojet General—have utilized a new type of training that permits this type of experimentation and provides feedback about its impact on others. In this method, a group of managers or prospective managers are convened, usually in a place away from company premises. Under the guidance of an experienced leader, who establishes a climate of openness and acceptance, they attempt to determine what personality traits, ideas or concepts about management, feelings about other members of the group, etc., are preventing their most effective operation as members of a management team.

While this is of greatest value when the men in the group will actually be working together later, it also has a personal value for each participant, who learns more about himself, about the management process, and about the nuances of human behavior. Such a dynamic learning experience as this can be of great value in helping each individual to assimilate and make meaningful the freedoms that are basic to the most creative and effective kind of management.

Appraisal—Help or Hindrance?

> *"Your hair wants cutting," said the hatter. He had been looking at Alice for some time with great curiosity, and this was his first speech.*
>
> *"You should learn not to make personal remarks," Alice said with some severity, "it's very rude."*

Yet another basic contradiction in executive development centers about the use of appraisal methodology. When a man is appraised, given some pious exhortations, then left to his own devices until the next appraisal, the result is very often not development, but retrogression. Since appraisal necessarily involves critical judgments, the person being "developed" is quite likely to become defensive—and a person who is organizing his energies for defense is one who cannot be fully interested in learning.

In addition, critical judgment coming from a superior can create feelings of anxiety and hostility. This may bring about limited change, but it may also bring many side effects that are as undesir-

able as they are unexpected—including such well-known manifestations of internal unrest as absenteeism, tardiness, rumor-mongering, backbiting, gossip, and, of course, in extreme cases, bitter departures.

To some extent, such feelings of anxiety are inevitable in any appraisal situation, but they can be greatly diminished if the emphasis is positive—and if the man being appraised has an opportunity to participate in his own appraisal. If superior and subordinate together can determine the direction in which the development should be going, what will be needed, and how the company can best help to realize the goals, the man being appraised will have more reason to feel encouraged and stimulated by the appraisal and more incentive to devote his efforts to areas in which progress can be made.

This assumes, of course, that the appraiser has sufficient objectivity to understand the real requirements of the man and the job without injecting his own personality into the appraisal to an unwarranted extent—and this is not always the case. An appraiser evaluating a man with such tools as trait listings, rating scales, or even job-related standards of performance may assume that he is being impersonal and objective—but quite often, no matter what mechanics or tools he is using, the ultimate and real criteria from which his evaluation springs reside within himself. He will unconsciously interpret or distort the tool he is using to fit his own values and expectations, which may not be very closely related to the needs or the job requirements of the person being appraised. The result will be either complete discouragement on the part of the subordinate or the creation of a carbon-copy of the superior.

Clearly, such an invitation to "conform or perish," whether conscious or unconscious, can only have the effect of breeding conformity and stifling originality and initiative. While we can probably never hope to eliminate this effect entirely, it can be diminished by making the appraiser aware of it. He can be helped and encouraged to make explicit to himself as much of his value system and his expectations as possible, to sort out those components that have real relevance to his subordinate's job performance, and, of course, to add those items about job performance that are not included in his own personal values and criteria.

> *"You're thinking about something, my dear, and that makes you forget to talk. I can't tell you just now what the moral of that is, but I shall remember in a bit."*
>
> *"Perhaps it hasn't one," Alice ventured to remark. "Tut, tut, child!" said the Duchess. "Everything's got a moral, if only you can find it."*

Not one, but several morals can be drawn from this look at the development function—enough, in fact, to lay the the groundwork for a fundamental philosophy of executive development.

Basically, we must understand that development is total growth, and that this growth is at least as vital to our top executive echelons as it is for middle and lower management. We must realize that organizational structure and philosophy can either prohibit, impede, or accelerate such growth, depending on the kinds and degrees of control that are exercised. We can conclude that there are, in addition to technical knowledge, universal executive requirements that can be determined without involving the total group in a series of personality judgments about each other—requirements encompassing such things as a basic knowledge of the social sciences, realistic insights into self, behavioral flexibility, skills in communicating and receiving messages, and the ability to make explicit a philosophical basis for behavior.

Finally, we must accept the fact that the organization must not only permit and encourage growth, but also be willing to experiment with new and different concepts of working and learning together. Only if such an ability to experiment exists can an organization develop a truly effective executive-development function, freed of the contradictions that beset so many of today's programs. ♦

THERE'S ONLY ONE CORNER of the universe you can be certain of improving, and that's your own self.

—Aldous Huxley

SURVEY OF BOOKS FOR EXECUTIVES

Management by the Numbers

MANAGEMENT BY SYSTEM. By Richard F. Neuschel. McGraw-Hill Book Company, Inc., 330 West 42 Street, New York 36, N.Y. 1960. 359 pages. $7.95.

*Reviewed by James G. Hendrick**

The systems-and-procedures function has developed from an activity primarily concerned with efficiency in the office into a major management tool. This significant evolution is responsible for the new title of this second edition of the author's earlier work, *Streamlining Business Procedures*. In keeping pace with the growing recognition of systems and procedures, Mr. Neuschel has again developed a text of outstanding usefulness to business systems practitioners.

Parts one and two of *Management by System* establish the value and place of the procedures-improvement program and how it may best be organized and "sold." Part three, a step-by-step guide for the systems-and-procedures staff, covers planning, fact-finding, changing existing procedures and methods, management reports, and electronic and integrated data processing. Part four deals with the presentation and implementation of recommendations and the establishment of procedures manuals.

Mr. Neuschel's discussion of the placement and potential of the systems-and-procedures staff will be of considerable interest to line executives. His comments should move many to reappraise the systems-and-procedures effort within their own operation.

For the systems-and-procedures director, Mr. Neuschel presents in detail a proven system for effectively administrating the staff effort while maintaining a top-management approach to each project; a strong argument for applying real business judgment to over-all program planning, as opposed to the "fire-fighting" approach; and a useful and well-thought-out list of barriers to procedures improvement. For the staff analyst, he offers a highly practical working guide. The seven chapters in this section of the book are rich in case studies. Throughout these chapters, one principle is stated, illustrated, and brought home with exceptional force

* Director, Corporate Systems and Procedures, Raytheon Company, Waltham, Mass.

and clarity: Dig deeply, question the need for every element, get beneath the surface, do not accept apparent values, avoid the "obvious solution."

The chapter on "strengthening management reports" deserves special attention. It is one of three completely new chapters (the other two are on EDP and IDP) and reflects the concern with which the author and other businessmen view the enormous growth of clerical and administrative work as a percentage of total business effort. Pointing out that the clerical force in any business is engaged entirely in either processing or summarizing individual transactions, he identifies the core of the management information problem as "determining *what information is of real worth.*" Business has developed on the one hand an increased need to obtain the right information for the purposes of planning and control, and on the other an increased ability to generate too much of the wrong information. Mr. Neuschel successfully attacks the classical method of making a "reports study" and then proceeds to detail a step-by-step program that will result in a reports structure supplying enough of the right kind of information to management.

The final section of the book deals with the essential steps of presenting, installing, and subsequently auditing the new procedure—steps that are so often given second-rate consideration by both writers and practitioners.

This is not a typical "systems and procedures book." It demonstrates the art of management by system and provides technical guidance in those phases of the art that are beginning to emerge as a science.

Cost-Cutting in the Office

PRACTICAL CONTROL OF OFFICE COSTS: *With Universal Office Controls.* By H. B. Maynard *et al.* Management Publishing Corp., 22 West Putnam Avenue, Greenwich, Conn., 1960. 160 pages. $12.75.

*Reviewed by G. N. Stilian**

This book was written by the president of H. B. Maynard & Co. and two of his associates. All three authors have long been in the field of work measurement and have had much to do with the development of method time measurement. Consequently, they can be regarded as among the leaders in the work-measurement and cost-control field.

Practical Control of Office Costs is extremely well written and, though easy to read, it delves deep into its subject. It should be useful in developing a training program for those who are not directly responsible for running an office cost-control program as well as in developing a work measurement and methods improvement activity in the office. On the other hand, the book suffers from the defect that it deals only with the use of the predetermined time-standards technique as a basis for the cost-control program.

By explaining in detail only one method used in controlling costs, and some of the benefits that derive from it, the book illuminates only one part

* Manager, AMA Administrative Services Division.

of the office cost-control picture. For this reason, it is not likely to be as valuable to an executive experienced in advanced work measurement or office control as it would be for the beginner. In fact, despite its substantial coverage of the subject of universal office controls, it still leaves the reader in need of more information before he can actually apply the times shown in the standard data at the back of the book.

In view of the importance of the human element in work measurement and office control programs, the book could have been more useful had it also explained the over-all approach toward a cost-control program. The less perceptive reader may well be oblivious of the prime role played by the human element in the development of such a program.

Nevertheless, the book constitutes a major contribution to the work measurement and cost control field as far as the application of predetermined times or universal office controls to clerical operations is concerned. Its coverage of steps necessary for installing such a system is thorough and complete—though, as has been noted, additional reading is required for the proper application of the times shown.

Besides dealing with the "how" of applying universal office controls and providing all the data needed for installing such a system, the book contains a check list to help the reader test the efficiency of his office. The various chapters cover such matters as how to organize definite tasks for the office, how to establish effective methods in the office, how to set time standards for office tasks, and how to install an office control program. A complete group of tables of universal office controls working data is also provided. The authors claim that proper use of the information in the chapter on office control standard data should enable a qualified analyst to establish time values for approximately 95 per cent of the elements of office operations. While this may not be true of all organizations, there is no doubt that the application of work measurement in industry in general is proving of major consequence. This book should be a useful tool in installing an effective and profitable system.

Briefer Book Notes

(Please order books directly from publishers)

GENERAL

ELEMENTS OF MANAGERIAL ACTION. By Michael J. Jucius and William E. Schlender. Richard D. Irwin, Inc., 1818 Ridge Road, Homewood, Ill., 1960. 439 pages. $9.00. Intended for use in management-development programs as well as in the classroom, this book deals not only with the functional but also with the behavioral and personal aspects of management, under such traditional headings as planning, organizing, directing, controlling, organization structure, and line-staff relationships.

DEVELOPING THE CORPORATE IMAGE. Edited by Lee H. Bristol, Jr. Charles Scribner's Sons, 597 Fifth Avenue, New York, 1960. 298 pages. $5.95. A compilation of 31 essays on such topics as the meaning of the corporate image; finding out what kind of image a company has; the effect of the image on dealings with various groups; tools, techniques, and media; and methods of evaluating the company's image-building program. The approach throughout is practical, and many of the articles are case studies.

SYSTEMS ANALYSIS FOR BUSINESS MANAGEMENT. By Stanford L. Optner. Prentice-Hall, Inc., Englewood Cliffs, N. J., 1960. 276 pages. $8.00. A treatise on the theory and practice of systems analysis in business management. In the first part of the book the author explains the systems concept, the fundamentals and methods of system design, and the use of electronic data-processing equipment. The second part consists of ten case studies, each illustrating one or more situations in which systems analysis can contribute to a better understanding of the company's problem.

PUBLIC ADMINISTRATION. (Fourth Edition.) By John M. Pfiffner and Robert V. Presthus. The Ronald Press Company, 15 East 26 Street, New York 10, 1960. 570 pages. $7.00. New chapters on decision-making and comparative administration appear in this edition. The section on finance now includes information about such recently developed approaches as performance budgeting and accountability for facts as well as fiscal control, and the chapters on organization have been completely rewritten to recognize the cultural background of organization theory and the data-processing revolution. The authors take account throughout of the insights and findings of recent research in motivation, group behavior, and leadership dynamics.

PUBLIC RELATIONS AND MANAGEMENT. By David Finn. Reinhold Publishing Corporation, 430 Park Avenue, New York 22, 1960. 175 pages. $4.50. In the words of the author, president of a leading public relations firm, this book is an attempt to set forth "a realistic view of what public relations can and cannot do for a company and . . . why." He not only discusses such questions as the limitations of public relations for industry and its relationship to company policy, but also explains how PR works and how it can be controlled and appraised. Criticizing the extravagant claims made by some practitioners, the author examines a number of current clichés in this field.

OPERATIONS RESEARCH AND SYSTEMS ENGINEERING. Edited by Charles D. Flagle *et al.* The Johns Hopkins Press, Homewood, Baltimore 18, Md., 1960. 889 pages. $14.50. This collection of articles originally presented as lectures in a two-week course for management contains contributions from a number of disciplines—among them physics, economics, statistics, and psychology. It is divided into three sections, the first of which deals with the meaning and history of operations research and systems engineering. The second is concerned with specific methodologies and includes papers on statistical quality control, linear programing, simulation technique, and game theory. The third section consists of four case studies.

HOW TO BE A MORE CREATIVE EXECUTIVE. By Joseph G. Mason. McGraw-Hill Book Company, Inc., 330 West 42 Street, New York 36, 1960. 281 pages. $5.95. In this outline of methods for achieving greater creativity, the author discusses creativity in general and the blocks to it, explains the steps

involved in deliberate problem solving, and suggests ways of producing more ideas. Several chapters are devoted to the use and leadership of creative groups, how to foster a creative climate, and how to spot creative potential in others. A bibliography is also provided.

LIVE AND LET LIVE: *A Program for Americans*. By Stuart Chase. Harper & Brothers, 49 East 33 Street, New York 16, 1960. 146 pages. $3.50. After summarizing the problems created by the major social and economic changes of recent years, both world-wide and in America, the author recommends the priorities that should be assigned to them. He points out how little progress has been achieved in tackling such problems as the population explosion and the breakdown of Megalopolis and offers some challenging suggestions for their solution.

HOW WE LIVE: *A Simple Dissection of the Economic Body*. (Second Edition.) By Fred G. Clark and Richard S. Rimanoczy. D. Van Nostrand Company, Inc., Princeton, N. J., 1960. 89 pages. $2.85. A primer for children and adults, explaining the major economic forces in terms of the laws of nature.

THE PRACTICAL ECONOMIST. By Burton Crane. Simon & Schuster, Inc., 630 Fifth Avenue, New York 20, 1960. 243 pages. $3.95. This revised version of the author's earlier book, *Getting and Spending*, plunges boldly into the current controversies over inflation, productivity, full employment, and the like. Mr. Crane's most fully developed argument is that our national fixation on expansion will bring no demonstrable advantage to anybody.

HOW TO PLAN, PRODUCE AND PUBLICIZE SPECIAL EVENTS. By Hal Golden and Kitty Hanson. Oceana Publications, Inc., 80 Fourth Avenue, New York 3, 1960. 256 pages. $6.00. Offers detailed guidance on planning just about every sort of special event, from a convention or store opening to a parade or company outing. Includes a chapter on publicity telling precisely how to achieve optimal press coverage.

EPISTEMOLOGICAL PROBLEMS OF ECONOMICS. By Ludwig von Mises. Translated by George Reisman. D. Van Nostrand Company, Inc., Princeton, N. J., 1960. 239 pages. $5.50. In this collection of essays, the author argues that economics and economic statistics—both of which refer to the past and are thus essentially history—cannot yield economic laws, but must be interpreted by theoretical insight gained from other sources. He expounds specific *a priori* methods of arriving at universally valid laws of economics.

EXECUTIVE DECISIONS AND OPERATIONS RESEARCH. By David W. Miller and Martin K. Starr. Prentice-Hall, Inc., Englewood Cliffs, N. J., 1960. 446 pages. $10.00. Operations research is explained here in terms of decision theory, which is painstakingly developed in the first part of the book. The chapters dealing with the application of operations research are classified by type of managerial problem rather than by mathematical technique. Addressed to nonspecialists, this text does not require an elaborate mathematical background and is designed to help the reader determine when an OR problem exists, how to deal with it, how to evaluate its results, and how to implement and control the solution.

BASIC ECONOMICS. By Thomas J. Hailstones. South-Western Publishing Company, 5101 Madison Road, Cincinnati 27, Ohio, 1960. 513 pages. $6.00. This textbook, designed primarily for those with no special training in economics, focuses on the economy as a whole, rather than on problems of the individual or the firm. The material falls into five major divisions: the nature and scope of economics; money, credit, and banking; production, income, and employment; business fluctuations; and economic analyses and policies.

GOVERNMENT AND BUSINESS. (Second Edition.) By Ronald A. Anderson. South-Western Publishing Company, 5101 Madison Road, Cincinnati 27, Ohio, 1960. 681 pages. $7.00. This revised edition employs the same combined textbook-casebook approach as its predecessor, *Government Regulation of Business.* The format has been improved, many chapters have been expanded, and two new chapters have been added. Twenty per cent of the cases cited are new to this edition, and the material on administration has been extensively reorganized.

J. K. LASSER'S EXECUTIVE'S GUIDE TO BUSINESS PROCEDURES: *Checklists for Successful Management*. Edited by Sydney Prerau. McGraw-Hill Book Company, Inc., 330 West 42 Street, New York 36, 1960. 255 pages. $4.95. The checklists provided here cover a wide range of business problems and programs. They tell, for example, what to study in forming, recapitalizing, or selling a business; how to design an efficient cost system; how to plan an office layout; and how to control filing costs.

SAMPLING IN A NUTSHELL. By Morris James Slonim. Simon and Schuster, Inc., 630 Fifth Avenue, New York 20, 1960. 145 pages. $3.50. For laymen, a light, nontechnical exposition of such formidable subjects as stratified sampling, cluster sampling, and acceptance sampling, illustrated with amusing line drawings and employing a wide variety of case histories.

HANDBOOK OF PUBLIC RELATIONS. Edited by Howard Stephenson. McGraw-Hill Book Company, Inc., 330 West 42 Street, New York 36, 1960. 855 pages. $12.50. Essays by 29 practicing public-relations men explain the fundamentals of PR; how it employs various media; and its specific uses in industry, commerce, and public enterprise. A comprehensive reference guide to planning, budgeting, evaluating, managing the staff, and so on.

LECTURES ON ECONOMIC PRINCIPLES, VOL. III. By Sir Dennis H. Robertson. Staples Press, London, England, 1959. 164 pages. $3.50. (Copies available from Book Centre, Ltd., North Circular Road, Neasden, London N. W. 1, Eng.) The lectures in this volume, delivered at Cambridge University in 1957, deal with money and the fluctuations of economic activity. Among the specific topics covered are monetary equilibrium, the rate of interest, the trade cycle, and inflation.

ECONOMIC THEORY AND ORGANIZATIONAL ANALYSIS. By Harvey Leibenstein. Harper & Brothers, 49 East 33 Street, New York 16, 1960. 349 pages. $6.00. In order to compare microeconomic theory and organizational analysis, the author sketches out the former, introduces the idea of specialization as a bridge between the two fields, and then develops the basic elements of a

theory of organization. Finally, he considers the implications of his theory for the meaning and nature of company objectives, the concept of entrepreneurship, the determination of company size, and the like.

STATISTICAL ANALYSIS. By Edward C. Bryant. McGraw-Hill Book Company, Inc., 330 West 42 Street, New York 36, 1960. 303 pages. $6.50. Focusing on methods rather than theory, this book treats statistics primarily as a tool in managerial decision-making. The first half covers basic principles, and the second half deals with special applications of interest to management people. Advanced mathematical preparation is not required.

PRODUCTION

MANAGEMENT OF THE PHYSICAL-DISTRIBUTION FUNCTION: *Guides for Reducing Industry's Third-Largest Cost.* (AMA Management Report No. 49.) American Management Association, Inc., 1515 Broadway, New York 36, 1960. 200 pages. AMA members, $3.50; nonmembers, $5.25. A report on the new approach to physical distribution, in which previously separate functions like order handling, traffic, warehousing, and materials handling are combined and integrated under a single command. Along with general discussions of the subject, six case studies are provided, and special attention is given to such new developments as "piggyback" service, containerization, and coordinated transportation. All the papers were first presented at special AMA conferences in October, 1959, and April, 1960.

HOW TO CHART DATA. By Phil Carroll. McGraw-Hill Book Company, Inc., 330 West 42 Street, New York 36, 1960. 260 pages. $7.50. An up-to-date and broadened version of the book, *How to Chart Timestudy Data.* The author advocates charting as a practical and accessible means of solving many problems of work measurement, plant scheduling, and cost control. He presents six basic chart forms and explains their development and the conditions for their use.

STANDARD COSTS FOR MANUFACTURING. (Third Edition.) By Stanley B. Henrici. McGraw-Hill Book Company, Inc., 330 West 42 Street, New York 36, 1960. 402 pages. $8.50. Nearly every chapter in the earlier editions has been expanded and clarified, new review problems have been added, and old ones have been revised to account for current labor rates. A new section on graphical variance control appears in this edition, as well as a complete illustrative chart of accounts and an organization chart, material explaining the distinction between cost reduction and cost control, and still other innovations.

MODERN APPROACHES TO PRODUCTION PLANNING AND CONTROL. Edited by Robert A. Pritzker and Robert A. Gring. American Management Association, Inc., 1515 Broadway, New York 36, 1960. 445 pages. AMA members, $6.00; nonmembers, $9.00. The first three sections of this compilation deal with organization and administration, planning tools and control techniques, and such mechanical and mathematical aids as electronic equipment and operations research. The fourth section consists of three case studies illustrating particular solutions; and the fifth is a paper on evaluation and coordination. An appendix provides a list of appropriate films and filmstrips, two sample check lists, a glossary, and a selected bibliography.

THE MANAGEMENT OF PRODUCTION. By William Voris. The Ronald Press Company, 15 East 26 Street, New York 10, 1960. 450 pages. $6.50. This introductory textbook integrates an analysis of production functions with a discussion of management responsibilities; it views the factory as a functioning whole and constantly points up the relationships between its objectives, functions, structures, personnel, and processes. Each chapter includes at least one case problem.

INSURANCE

PROCEEDINGS OF THE TENTH ANNUAL LIFE AGENCY MANAGEMENT CONFERENCE. Edited by The Bureau of Business Research, The College of Commerce and Administration, The Ohio State University. Ohio State University Publications, Columbus 10, Ohio, 1959. 145 pages. Gratis. These proceedings include discussions on the problem of the mass market and on the new man in production, an address on the problems of agency management, and three addresses given before a joint session of the fire and casualty group and the agency management group.

PROCEEDINGS OF THE ELEVENTH ANNUAL LIFE AGENCY MANAGEMENT AND FIRE AND CASUALTY CONFERENCES. Edited by The Bureau of Business Research, The College of Commerce and Administration, The Ohio State University. Ohio State University Publications, Columbus 10, Ohio, 1960. 129 pages. Gratis. Among the highlights of this year's conference were addresses on agency management techniques; liability claim trends; new innovations in automobile insurance, economy, and merit plans; the challenge of accident and sickness protection; the all-lines trend; and the regulation of insurance.

RISK MANAGEMENT TODAY: *Problems, Trends, and Practices.* (AMA Management Report No. 47.) American Management Association, Inc., 1515 Broadway, New York 36, 1960. 100 pages. AMA members, $2.00; nonmembers, $3.00. These papers—based on material originally presented at AMA's 1959 Fall Insurance Conference—discuss risk management as a profession, meeting the health-care needs of the aged, current trends in group insurance and multiple-line underwriting, and the fellow-employee suit. Considerable coverage is given to determining how much insurance to buy, the pros and cons of self-insurance for workmen's compensation coverage, and loss control "after the fact."

PROCEEDINGS OF THE FIFTY-THIRD ANNUAL MEETING OF THE LIFE INSURANCE ASSOCIATION OF AMERICA, DECEMBER, 1959. Life Insurance Association of America, 488 Madison Avenue, New York 22, 1960. 323 pages. Gratis. This transcript includes a discussion of the trend of saving through life insurance and brief addresses on voluntary health insurance, relative value studies, federal income taxation, group insurance, and credit insurance problems.

MARINE INSURANCE DIGEST. By Hugh A. Mullins. Cornell Maritime Press, Cambridge, Md., 1959. 304 pages. $6.00. An alphabetical listing of the terminology of the law and practice of marine insurance, in which each term

is defined and its application explained in relatively simple language. Also included is an analysis of the American Institute Time (Hulls) form of policy by Leslie J. Buglass.

INSURANCE PRINCIPLES AND PRACTICES. (Fourth edition.) By Robert Riegel and Jerome S. Miller. Prentice-Hall, Inc., Englewood Cliffs, N. J., 1959. 876 pages. $7.95. Retaining only the objectives and general design of earlier editions, this comprehensive text has been completely rewritten to include material on new problems and trends in the insurance field. Four new chapters expand the coverage of life insurance, and many new charts and figures have been added.

OFFICE

AUTOMATIC DATA-PROCESSING SYSTEMS: *Principles and Procedures.* By Robert H. Gregory and Richard L. Van Horn. Wadsworth Publishing Company, Inc., 431 Clay Street, San Francisco 11, Calif., 1960. 705 pages. $11.65. Giving equal emphasis to the theory of automatic data processing and to its application in business, the material in this introductory text is divided into seven sections: orientation, automatic equipment, programing and processing procedures, principles of processing systems, systems design, equipment acquisition and utilization, and system re-examination and prospective developments.

THE CHANGING DIMENSIONS OF OFFICE MANAGEMENT: *Technical and Managerial Trends in Administrative Operations.* (AMA Management Report No. 41.) American Management Association, Inc., 1515 Broadway, New York 36, 1960. 159 pages. AMA members, $2.50; nonmembers, $3.75. The 25 papers reprinted here were originally presented at AMA's 1959 Annual Office Management Conference. Some of them describe recent changes in data processing, systems planning, office services, and other areas of administrative responsibility. Others consider the impact of these changes on traditional concepts of office management and the outlook for the future.

TYPING MAILABLE LETTERS: *Practice Projects in Placement, Punctuation, Proofreading, and Production.* By Parker Liles *et al.* Gregg Publishing Division, McGraw-Hill Book Company, Inc., 330 West 42 Street, New York 36, 1960. 150 pages. $1.84. This paper-bound text for secretaries and typists is organized into 25 projects, each one explaining some element of punctuation or letter form and assigning four letters to be typed (on letterhead stationery provided with the book).

MANAGEMENT ORGANIZATION AND THE COMPUTER. Edited by George P. Shultz and Thomas L. Whisler. A publication of The Graduate School of Business, The University of Chicago. The Free Press of Glencoe, Illinois, 119 West Lake Street, Chicago 1, Ill., 1960. 257 pages. $7.50. Report on a seminar held at The University of Chicago's Graduate School of Business in 1959. The papers and discussions of the 14 participants are grouped into four parts: considerations of the impact of the new information technology on management jobs and organization problems; analyses of the technical developments themselves; examinations of some organizational questions; and five case studies.

Q&A on AMA

Q. *The announcements I receive of future AMA meetings cover more sessions than I can reasonably hope to attend and sometimes include meetings dealing with situations or problems which I am not currently facing. Should there be further "screening" of the number and subject matter of the announcements I receive?*

A. Each person whose name appears on AMA's mailing list is registered as having special interest in the functional area or areas covered by one or more of the Association's operating divisions. This individual is, for AMA *and* his company, a key point of contact on these subjects. Meeting announcements are sent not only for his personal consideration but also with the thought that appropriate items will be referred to subordinates or associates.

AMA cannot know the specific operating situations which each individual manager and company is facing. Even if such a record were available it would be seriously out-of-date within days. It is important to note, however, that new subjects are added to the AMA program only after it has been determined that they represent opportunities or problems being faced by a significant percentage of AMA's membership. For this reason, many managers have found that AMA meeting announcements provide a unique and valuable check list for possible management investigation and action.

If you have any questions about AMA's program or policies, please submit them to AMA's Member Relations Department. All inquiries will be answered promptly. Those questions of most general interest will appear in this feature in subsequent issues of *The Management Review*.